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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**AMENDMENT NO. 3**  
**to**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
*Under*  
*The Securities Act of 1933*

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**OSCA, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**1389**  
(Primary Standard Industrial  
Classification Code Number)

**72-0868136**  
(I.R.S. Employer  
Identification No.)

**156 Commission Boulevard, Lafayette, Louisiana 70508**  
**(318) 837-6047**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Robert L. Hollier**  
**President and Chief Executive Officer**  
**OSCA, Inc.**  
**156 Commission Boulevard**  
**Lafayette, Louisiana 70508**  
**(318) 837-6047**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copies of all communications, including communications sent to agent for service, should be sent to:*

**Carter W. Emerson, P.C.**  
**Kirkland & Ellis**  
**200 East Randolph Drive**  
**Chicago, Illinois 60601**  
**(312) 861-2000**

**John W. White**  
**Cravath, Swaine & Moore**  
**825 Eighth Avenue**  
**New York, New York 10019**  
**(212) 474-1000**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

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The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED JUNE 8, 2000

PROSPECTUS



5,600,000 Shares

**OSCA, Inc.**

**Class A Common Stock**

OSCA, Inc. is selling 5,600,000 shares of its Class A common stock. The underwriters named in this prospectus may purchase up to 840,000 additional shares of Class A common stock from OSCA to cover over-allotments.

This is the initial public offering of our Class A common stock. OSCA currently expects the initial public offering price to be between \$14.00 and \$16.00 per share and has applied to have the Class A common stock included for quotation on the Nasdaq National Market under the symbol "OSCA."

**Investing in our common stock involves risks. See "Risk Factors" beginning on page 7.**

	<u>Per Share</u>	<u>Total</u>
Initial Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds to OSCA (before expenses)	\$	\$

The underwriters are offering the shares subject to various conditions. The underwriters expect to deliver the shares to purchasers on or about \_\_\_\_\_, 2000.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**Salomon Smith Barney**

**Morgan Stanley Dean Witter**

**Simmons & Company**  
International

## **INSIDE FRONT COVER ART**

**Title:** None

**Graphic:** Collage of OSCA's business units

**Caption:** Artist's impression illustrating how our business units are focused on well completion services.

## **INSIDE FOLD-OUT**

**Title:** Examples of OSCA's Products and Services

**Picture:** OSCA Challenger, OSCA Discovery, Elkhorn River

**Caption:** Our marine well service vessels, the OSCA Challenger (top left), the OSCA Discovery (center), and the Elkhorn River (bottom right), are capable of operating in harsh deepwater environments and have the ability to service five to ten wells per trip offshore.

**Picture:** Land-based coiled tubing unit

**Caption:** Land-based coiled tubing unit used to convey well stimulating services.

**Picture:** Skid-mounted pressure pumping unit

**Caption:** Portable pressure pumping unit; used to apply sand control well treatments.

**Picture:** Fluids filtration Unit

**Caption:** A portable fluids filtration unit used to clean contaminated completion fluids.

**Picture:** Field technician working on downhole completion tool

**Caption:** A quality assurance technician inspects a packer assembly, one of our downhole completion tools used in sand control.

**You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted.**

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In this prospectus, “OSCA,” the “company,” “we,” “us” and “our” each refers to OSCA, Inc. and its subsidiaries, and “Great Lakes” refers to Great Lakes Chemical Corporation. Prior to this offering, OSCA has been a wholly owned subsidiary of Great Lakes.

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Until , 2000, all dealers that buy, sell or trade our Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. We urge you to read this entire prospectus carefully, including the “Risk Factors” section and the consolidated financial statements and related notes and the pro forma condensed consolidated financial statements included elsewhere in this prospectus.*

### OSCA

#### **Our Company**

Founded in 1979, OSCA provides specialized oil and gas well completion fluids, completion services and downhole completion tools to major oil companies and independent exploration and production companies, primarily in the Gulf of Mexico and in select international markets. Well completion activities are conducted after drilling and prepare the well to begin production. Our products and services are focused on providing quality well completions which is critical in optimizing the recovery of oil and gas. Our products and services are primarily used in offshore environments, including deepwater, where we have demonstrated the ability to service technically challenging projects in harsh environments. Our equipment and technology are also regularly adapted for onshore use. In 1999, we generated total revenue of \$91.9 million.

Our products and services provide the following benefits:

- lengthening well life by controlling the migration of indigenous sand into the well, which damages downhole and surface production equipment and causes the reservoir to degrade prematurely;
- increasing well productivity by minimizing reservoir damage during the completion phase of the well installation process and by repairing reservoir damage incurred during the drilling phase;
- increasing well flow rates by creating fractures in the reservoir and packing the fractures with gravel to prevent the migration of sand into the well, a process which the industry refers to as frac packing; and
- enhancing well productivity by chemically stimulating the reservoir, allowing faster production and, potentially, increasing the total recovery of oil and gas.

Our products and services are available separately or as integrated systems and are offered through our three business segments:

- *Completion Fluids.* We sell and recycle completion fluids and perform related fluid maintenance activities. In addition to standardized completion fluids, we provide a broad line of specially formulated and customized completion fluids for high demand wells.
- *Completion Services.* We provide marine-based well completion services, sand control and well stimulation pressure pumping and coiled tubing services.
  - *Marine Service Vessels.* Our marine service vessels, which have been designed for enhanced safety and operating efficiency in deepwater environments, allow us to perform sand control and well stimulation pressure pumping and completion fluid delivery services under difficult conditions.
  - *Skid-Mounted Pressure Pumping Services.* We also provide our completion services, to both land-based and offshore customers, through portable skid-mounted equipment which can be placed directly on a rig or platform.
  - *Coiled Tubing Services.* These services involve the deployment of small diameter steel pipe to manipulate downhole completion tools and apply well stimulation chemicals.

- *Downhole Completion Tools.* We design, build and install downhole completion tools that direct the flow of oil and gas into the production tubing and deploy gravel to control the migration of reservoir sand into the well. Our downhole completion tools are designed for use in complex, demanding wells, particularly in deepwater environments, and to save our customers time and money.

### **Our Strategy**

Our products and services are focused on value enhancing completion activities that allow our customers to optimize the recovery of oil and gas. Our strategy for future growth is to improve our market position by:

- *Focusing on Optimizing Reservoir Productivity.* We focus our technology and completion service offerings singularly on optimizing reservoir productivity, enabling us to be more responsive to our customers.
- *Targeting Deepwater Activity.* We have pioneered technologies that enable our customers to operate in harsh, deepwater environments, where we believe our expertise will enable us to continue to increase our market share and capitalize on growth opportunities, particularly in the deepwater Gulf of Mexico, Brazil and West Africa.
- *Developing Leading Completion Technologies.* We invest in research and development to provide innovative, cost-effective completion technologies which are tailored to customer-specific operating environments.
- *Pursuing Strategic Acquisitions.* We have acquired, and we intend to continue to acquire, advanced completion technologies and companies that complement our existing product and service offerings and expand our geographic presence.

## THE OFFERING

Class A common stock offered by OSCA: . . . . .	5,600,000 shares
Common stock of OSCA to be outstanding immediately after the offering:	
Class A common stock . . . . .	5,600,000 shares
Class B common stock . . . . .	8,400,000 shares
Total . . . . .	14,000,000 shares
Class B common stock of OSCA to be held by Great Lakes immediately after the offering . . . . .	8,400,000 shares
Use of proceeds . . . . .	We estimate that our net proceeds from the offering will be about \$76.1 million, based on an assumed initial public offering price of \$15.00 per share, the midpoint of the range set forth on the cover of this prospectus. We will use the net proceeds from the offering, including amounts we may receive from the exercise of the underwriters' over-allotment option, and approximately \$31.0 million that we will borrow under a proposed credit facility and approximately \$7.6 million in cash to repay indebtedness owed by us to Great Lakes. See "Use of Proceeds."
Voting rights:	
Class A common stock . . . . .	One vote per share
Class B common stock . . . . .	Ten votes per share
Proposed NASDAQ symbol . . . . .	OSCA

Unless we specifically state otherwise, the information in this prospectus does not take into account the issuance of up to 840,000 shares of Class A common stock which the underwriters have the option to purchase solely to cover over-allotments. If the underwriters exercise their over-allotment option in full, 6,440,000 shares of Class A common stock will be outstanding after the offering.

The number of shares of our common stock to be outstanding immediately after the offering listed above does not take into account an estimated 460,000 shares of our Class A common stock that will be issuable upon exercise by our employees and directors of stock options that will be granted in connection with the offering and 540,000 additional shares of our Class A common stock that will be reserved for issuance under our stock compensation plans. The actual number of options will be determined at the time of the offering and are expected to vest ratably over a three-year period. For a discussion of these stock options, see "Management—Stock Compensation Plan" and "Management—Incentive Compensation Plan."

## RISK FACTORS

Before you invest in our Class A common stock, you should be aware that there are various risks related to, among other things, our business, the oil and gas exploration and development industry, our relationship with Great Lakes and fluctuations in the price of our common stock. For more information about these risks, read "Risk Factors." You should carefully consider these risk factors together with all of the other information included in this prospectus.

## RELATIONSHIP WITH GREAT LAKES

We are currently a wholly-owned subsidiary of Great Lakes. After the completion of this offering of Class A common stock, Great Lakes will own about 60.0% of the outstanding shares of our common stock, or about 56.6% if the underwriters exercise their over-allotment option in full. Great Lakes will own 100% of the outstanding Class B common stock, which will represent 93.8% of the combined voting power of all classes of voting stock of OSCA, or 92.9% of the combined voting power of all classes of voting stock of OSCA if the underwriters exercise their over-allotment option in full. Until Great Lakes holds less than 50% of the voting power of our stock, Great Lakes will be able to control the vote on all matters submitted to stockholders, including the election of directors and the approval of extraordinary corporate transactions, such as mergers.

Great Lakes has not reached any decision regarding whether or for how long it will retain its stock ownership in our company. At present, Great Lakes has no plan or intention to dispose of its shares of our Class B common stock. If Great Lakes decides to divest its ownership in our Class B common stock, Great Lakes may do so by distributing all of its shares of our Class B common stock to the holders of Great Lakes' common stock, a process which we refer to as a "distribution."

Prior to the consummation of this offering, we will enter into agreements with Great Lakes that provide for the separation of our business operations from Great Lakes and other provisions applicable to a divestiture, if any. These agreements provide for, among other things, Great Lakes to continue to supply us with brominated products essential to our operations and transition services, including human resources and treasury functions. All of the agreements providing for our separation from Great Lakes were made in the context of a parent-subsidiary relationship and were negotiated in the overall context of our separation from Great Lakes. The terms of these agreements may be more or less favorable to us than if they had been negotiated with unaffiliated third parties. See "Our Relationship With Great Lakes—Arrangements With Great Lakes."

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Our principal executive offices are located at 156 Commission Boulevard, Lafayette, Louisiana 70508, and our telephone number is (318) 837-6047.



## SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

(in thousands, except share and per share data)

The following summary historical and pro forma financial and operating data should be read along with “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” the consolidated financial statements and related notes and the pro forma condensed consolidated financial statements included elsewhere in this prospectus. You should also read “Risk Factors—Our historical financial information may not be representative of our results as a separate company.”

The statement of operations data for each of the years in the three-year period ended December 31, 1999 have been derived from the consolidated financial statements audited by Ernst & Young LLP, independent auditors. The statement of operations data for the three months ended March 31, 2000 and the balance sheet data as of March 31, 2000 are derived from unaudited financial statements. The statement of operations data for 1995 and 1996 are based on our and Great Lakes’ accounting records which, in management’s opinion, include all adjustments necessary for the fair presentation of our financial position at such dates. The financial information included in this prospectus does not necessarily reflect our results of operations, financial position and cash flows in the future or what the results of operations, financial position and cash flows would have been had we been a separate, stand-alone entity during the periods presented.

We prepared the summary pro forma condensed consolidated financial statements data to illustrate the estimated effects of this offering, our separation from Great Lakes and related transactions as described in the notes to such data. The pro forma statement of operations data for the year ended December 31, 1999 and the three months ended March 31, 2000 are presented as if these transactions had occurred as of January 1, 1999 and 2000, respectively. The pro forma balance sheet data is presented as if these transactions had occurred on March 31, 2000. We believe that the assumptions used provide a reasonable basis for presenting the significant effects directly attributable to this offering, our separation from Great Lakes and related transactions. The pro forma data do not purport to represent what our results of operations would actually have been if such transactions had in fact occurred on such date or to project our results of operations for any future period.

								Pro Forma	
	Year Ended December 31,					Three Months Ended March 31,		Year Ended December 31, 1999	Three Months Ended March 31, 2000
	1995	1996	1997	1998	1999	1999	2000		
	(unaudited)			(audited)		(unaudited)		(unaudited)	
(in thousands, except share and per share data)									
<b>Statement of Operations Data:</b>									
Net revenue	\$ 71,351	\$ 95,685	\$ 112,739	\$ 113,369	\$ 91,938	\$ 23,023	\$ 26,501	\$ 91,938	\$ 26,501
Operating expenses:									
Cost of sales	48,126	65,916	78,026	88,800	74,635	16,862	19,472	75,645	19,402
Selling, administrative and research expenses	10,735	12,438	16,515	19,271	18,153	5,689	5,897	17,240	5,738
Amortization of intangibles	242	247	251	370	432	99	99	432	99
Special charges (credit) (1)	—	3,100	—	13,350	(2,550)	—	—	(2,550)	—
Operating income (loss)	12,248	13,984	17,947	(8,422)	1,268	373	1,033	1,171	1,262
Interest expense (income), net	108	(46)	(191)	(137)	(114)	(41)	(66)	2,393	561
Other expense (income), net	(855)	(498)	(16)	538	(724)	381	(131)	(724)	(131)
Income (loss) before income taxes	12,995	14,528	18,154	(8,823)	2,106	33	1,230	(498)	832
Income tax provision (benefit)	4,183	6,658	6,727	(1,943)	1,284	20	541	294	366
Net income (loss)	\$ 8,812	\$ 7,870	\$ 11,427	\$ (6,880)	\$ 822	\$ 13	\$ 689	\$ (792)	\$ 466
Earnings per share	\$ 8.81	\$ 7.87	\$ 11.43	\$ (6.88)	\$ .82	\$ .01	\$ .69	\$ (.06)	\$ .03
Weighted average shares outstanding	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	14,000,000	14,000,000
<b>Other Data:</b>									
Net cash provided by operating activities	\$ 8,156	\$ 9,359	\$ 17,403	\$ 28,068	\$ 8,089	\$ 1,514	\$ 10,625	\$ N/A	\$ N/A
Net cash used in investing activities	(9,973)	(4,754)	(18,665)	(27,798)	(5,962)	(2,434)	(538)	N/A	N/A
Net cash provided by (used in) financing activities	(125)	—	—	793	(2,473)	(22)	—	N/A	N/A
EBITDA (2)	15,918	17,749	22,318	(2,907)	9,304	1,587	3,223	9,207	3,452
Adjusted EBITDA (3)	15,918	20,849	22,318	10,443	6,754	1,587	3,223	6,657	3,452
Depreciation and amortization	2,815	3,267	4,355	6,053	7,312	1,595	2,059	7,312	2,059
Capital expenditures	9,986	6,301	18,913	24,140	5,873	3,547	863	5,873	863

	At March 31, 2000	
	Actual	As Adjusted
<b>Balance Sheet Data:</b>		
Working capital (deficit) . . . . .	\$ (19,949)	\$ 36,261
Property and equipment, net . . . . .	45,590	45,590
Total assets . . . . .	110,200	101,410
Total debt . . . . .	116,338	31,472
Total stockholders' equity (deficit) . . . . .	(19,582)	56,494

- (1) In 1996, we incurred special charges of \$3.1 million related to an asset impairment. In 1998, we incurred special charges of \$13.4 million related to asset impairments, write-down of the carrying value of an asset to be disposed of for fair value, severance costs, lease costs and other related charges. In 1999, we recognized a credit to special charges of \$2.5 million for an upward adjustment of the carrying value of an asset held for disposal which was impaired in 1998. See note 4 to our consolidated financial statements.
- (2) We define "EBITDA" as income (loss) before income taxes, plus depreciation, amortization of intangibles and interest expense (income), net. We believe EBITDA is a widely accepted indicator of a company's ability to service and/or incur indebtedness. However, EBITDA should not be considered as an alternative to net income as a measure of operating results or to cash flows as a measure of liquidity in accordance with generally accepted accounting principles.
- (3) "Adjusted EBITDA" is EBITDA plus adjustments to eliminate the effect of special charges (credit) of \$3,100, \$13,350 and \$(2,550) in 1996, 1998 and 1999, respectively.

## RISK FACTORS

*Before you invest in our Class A common stock, you should carefully consider these risk factors together with all of the other information included in this prospectus.*

***Our revenue, cash flow and earnings could be harmed by any decreases in the level of oil and gas exploration and development activity.***

Our operations are dependent on the level of oil and gas exploration and development activity, particularly in the Gulf of Mexico. Any reduced activity could cause significant declines in our revenue, cash flow and profitability. The level of exploration and development activity is affected by both short-term and long-term trends in oil and gas prices which, in turn, are related to the demand for petroleum products and the current availability of oil and gas resources. Oil and gas prices historically have reacted to actual and perceived changes in oil and gas supplies and demand, which has resulted in varying levels of exploration and production activity. Oil and gas prices are affected by numerous factors, many of which are beyond our or our customers' control. These factors include:

- the level of exploration activity;
- worldwide economic activity;
- interest rates and the cost of capital;
- environmental regulation;
- tax policies;
- political requirements of national governments;
- coordination by the Organization of Petroleum Exporting Companies (OPEC);
- the cost of producing oil and gas; and
- technological advances that reduce demand for petroleum products.

A significant or prolonged decline in future oil and gas prices would likely result in reduced exploration and development and a decline in the demand for our services. For example, during the last half of 1998 and the first half of 1999, oil prices declined to their lowest levels in over 12 years. The resulting decline in exploration and development activities significantly reduced demand for our products and services and subjected us to increased pricing pressure. In recent years, consolidation in the oil and gas exploration and production sector has also resulted in disruptions in the level of exploration and production activity by some of our customers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

***Because we will be controlled by Great Lakes unless it divests its Class B shares, you will be unable to affect the outcome of stockholder voting during that time.***

After the completion of this offering of Class A common stock, Great Lakes will remain in control of our company unless it divests its Class B shares, and holders of our Class A shares will consequently be unable to influence the outcome of any stockholder votes. Through its ownership of 100% of our outstanding Class B common stock, Great Lakes will have 93.8% of the combined voting power of all classes of voting stock of OSCA, or 92.9% of the combined voting power of all classes of voting stock of OSCA if the underwriters exercise their over-allotment option in full. As long as Great Lakes owns a majority of the combined voting power of all classes of voting stock of OSCA, Great Lakes will continue to be able to elect our entire board of directors and to remove any director, with or without cause, and generally to determine the outcome of all corporate actions requiring stockholder approval. As a result, Great Lakes will be in a position to continue to control all matters affecting our company, including:

- the composition of our board of directors and, through it, any determination with respect to our direction and policies, including the appointment and removal of officers;
- any determinations with respect to mergers or other business combinations;

- the acquisition or disposition of assets;
- future issuances of common stock or other securities;
- the incurrence of debt;
- amendments, waivers and modifications to all agreements with Great Lakes, including those agreements providing for our separation from Great Lakes;
- the payment of dividends on our common stock; and
- determinations with respect to treatment of items in those of our tax returns which are consolidated or combined with Great Lakes' tax returns.

After the closing of this offering, we expect that four of our five directors will be directors and/or officers of Great Lakes. Our certificate of incorporation and our bylaws provide that, so long as Great Lakes owns at least a majority of the combined voting power of all classes of our voting stock, many actions by our board of directors will require the approval of 66⅔% of the votes entitled to be cast by our voting stock. Thus, in order to take any such action, the approval of Great Lakes will be required. See “Description of Capital Stock—Anti-takeover Effects of Certificate and By-law Provisions.”

***If we lose key personnel or are unable to hire additional qualified personnel, we may not be successful.***

Our future success depends on our ability to retain our highly-skilled engineers and technical sales and service personnel. The market for these employees is very competitive and if we cannot continue to attract and retain quality personnel, our ability to compete and to grow our business will be severely limited. We expect that if conditions improve in the oil and gas market generally, the supply of qualified engineers in completion fluids, downhole completion tools and completion services could tighten substantially. Furthermore, attracting and retaining scientific and engineering personnel in our industry typically requires attractive compensation packages. A significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force, increases in the rates of wages we must pay, or both. Our success also depends upon the continuing contributions of our key management, research, product development, sales and marketing, and manufacturing personnel, many of whom would be difficult to replace, including Robert L. Hollier, our president and chief executive officer, and Richard J. Alario, our executive vice president. We do not have employment agreements with any of our key management or other personnel, and we cannot assure you as to how long they will remain with our organization. We also do not have any key man life insurance policies for any of our personnel.

***We may not be able to obtain additional capital to fund our growth and operations on reasonable terms which could harm our business and negatively impact our stockholders.***

Following this offering, we do not expect to receive any future capital contributions from Great Lakes. We may require additional financing from other sources in the future to meet our capital needs. If adequate funds are not available or are not available on reasonable terms, we may be unable to develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures, which could seriously harm our business. If we raise additional funds through the issuance of debt or equity securities, the percentage ownership of our existing stockholders may be reduced, the securities issued may have rights, preferences and privileges senior to those of our Class A common stock, and the terms of the securities may impose restrictions on our operations. Since our credit rating will be lower than that of Great Lakes, we will not be able to obtain financing with interest rates and terms as favorable as those obtained by Great Lakes. For a discussion of these and other factors affecting our liquidity, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

***Because the market for our products and services is characterized by continual and rapid technological developments, our future success will depend on our ability to keep pace with these developments.***

The market for our products and services is characterized by continual and rapid technological developments that have resulted in, and will likely continue to result in, substantial improvements in product

function and performance. Our future success and profitability are dependent upon our ability to:

- improve our existing product lines;
- address the increasingly sophisticated needs of our customers;
- maintain a reputation for technological innovation; and
- maintain market acceptance.

We believe that technological innovation is particularly important in our downhole tools product lines. For example, products that we have introduced since 1997 were responsible for over 38% of our net revenues for that segment in 1999. In light of the market demands for leading technology, we also believe that our success will depend on our ability to anticipate changes in technology and industry standards and to respond to technological developments on a timely basis, either internally or through strategic alliances. Current competitors or new market entrants may develop new technologies, products or standards that could render some of our products obsolete. We may not be successful in developing and marketing, on a timely and cost-effective basis, product enhancements or new products that respond to technological developments, that are accepted in the marketplace or that comply with industry standards.

***Our historical financial information may not be representative of our results as a separate company.***

The historical financial information we have included in this prospectus may not reflect what our results of operations, financial position and cash flows would have been had we been a separate, stand-alone entity during the periods presented or what our results of operations, financial position and cash flows will be in the future. This is because:

- we have made adjustments and allocations because Great Lakes did not account for us as, and we were not operated as, a single stand-alone business for all periods presented; and
- the information does not reflect many significant changes that will occur in our funding and operations as a result of our separation from Great Lakes, including employee and tax matters.

We cannot assure you that the adjustments and allocations we have made in preparing our historical consolidated financial statements appropriately reflect our operations during such period as if we had in fact operated as a stand-alone entity or what the actual effect of our separation from Great Lakes will be. Accordingly, we cannot assure you that our historical results of operations are indicative of our future operating or financial performance. For additional information, see “Selected Financial Data,” “Pro Forma Condensed Consolidated Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

***We face significant competition from other providers of completion fluids, well completion services and downhole completion tools, many of whom are larger than we are and have significantly greater resources than we have.***

The market for completion fluids, well completion services and downhole completion tools is highly competitive, and several of our primary competitors are diversified, multinational companies with substantially larger operating staffs and greater capital resources. Furthermore, we have been operating in two of our segments, completion services and downhole completion tools, for a significantly shorter time than have most of our competitors. Because of their greater resources, or their longer operating experience, some of our competitors may be able to withstand future downturns in the oil and gas industry better than we could.

***Our operations are subject to hazards customary in the oilfield service industry and marine operations. We may not have adequate insurance to cover all these hazards.***

Our operations are subject to many hazards associated with oilfield services and with marine operations which may expose us to significant liabilities for which we may not have adequate insurance coverage. Providing well completion services requires the use of heavy equipment and hazardous chemicals, which may subject us to liability claims by employees, customers and third parties. Hazards, such as vessels capsizing, sinking, grounding, colliding and sustaining damage from severe weather conditions, are inherent in offshore

operations. These hazards can cause significant personal injury or loss of life, severe damage to and destruction of property and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in our being named as a defendant in lawsuits asserting claims for substantial damages, environmental cleanup costs and fines and/or penalties. We maintain an amount of insurance protection that we consider adequate, but we cannot assure you that our insurance will be sufficient or effective under all circumstances or against all hazards or liabilities to which we may be subject. A successful claim for which we are not fully insured could hurt our financial results and materially harm our financial condition. In addition, we currently have the benefit of being insured under Great Lakes' insurance coverage. We cannot assure you that insurance coverage on a stand-alone basis will be available at all or at rates or on terms similar to those available to Great Lakes. We may not be able to maintain adequate insurance in the future at rates or on terms we consider reasonable or acceptable. See "Business—Operating Hazards and Insurance."

***Because our downhole completion tools and the use of coiled tubing are complex and are deployed deep underground, any defects discovered subsequent to their deployment could cause us to incur material repair or replacement costs and could expose us to significant liabilities for damages suffered by our customers.***

Our downhole completion tools and use of coiled tubing are highly complex and are deployed several miles below the earth's surface in sometimes complex environments. The discovery of any defects in our downhole completion tools or coiled tubing after deployment could result in product returns, diversion of our resources, increased service and warranty costs, increased insurance costs, and, in a worst case scenario, claims by our customers for rig downtime, lost or damaged wells, personal injuries and/or environmental damages, any of which could adversely affect our financial results. Any of these occurrences could also result in the loss of or delay in market acceptance of our products, which could harm our business and reputation and could impair our ability to grow.

***A small number of customers account for a substantial portion of our revenue and the loss of any of these customers could hurt our results and cause our stock price to decline.***

Our customer base has been and may continue to be concentrated with a small number of customers accounting for a significant portion of our revenue. In 1999, British Borneo USA, Inc. accounted for 8.7% of our net revenue. In addition, our next 14 customers accounted for 47.0% of our net revenue. If we were to lose any of these customers, or if they were to reduce their orders for our products and services, and we were not able to replace them with new customer accounts, we would lose significant revenue and it could cause our stock price to decline. In 1998, 15 customers accounted for 42.1% of our net revenue.

***Our business operations face risks associated with international operations, which could hurt our results and therefore cause our stock price to decline.***

We have significant operations outside the United States. International operations, which constituted 15.2% and 11.9% of our net revenues in 1999 and the three months ended March 31, 2000, respectively, are subject to a number of risks and uncertainties, including:

- difficulties and costs associated with complying with a wide variety of complex foreign laws, treaties and regulations;
- unexpected changes in regulatory environments;
- inadequate protection of intellectual property in foreign countries;
- legal uncertainties regarding, and timing delays and expenses associated with, tariffs, export licenses, and other trade barriers;
- difficulties enforcing agreements and collecting receivables through foreign legal systems;
- longer payment cycles of foreign customers compared with customers in the United States;
- tax rates in foreign countries that may exceed those of the United States and foreign earnings that may be subject to withholding requirements or the imposition of tariffs or other restrictions;

- exchange controls or other limitations on international currency movements;
- political and economic instability;
- use of independent foreign sales agents who may not be as effective or loyal as our employees;
- difficulties associated with managing a large organization spread throughout various countries;
- nationalization of properties by foreign governments; and
- war and civil disturbances.

As we continue to expand our business globally, our success will be dependent, in part, on our ability to anticipate and effectively manage these and other risks. Any of these factors could impair our ability to expand into international markets and could prevent us from increasing our revenue and our profitability and meeting our growth objectives.

Moreover, our present plans for growth depend, in part, on expanding our international operations. Our financial condition and prospects for growth could be harmed by economic downturns in the specific regions in which we operate or plan to operate in the future. For example, in 1998 and 1999 the economic and industry downturn in Venezuela and other oil producing regions of Latin America led to a reduction in demand for our products and services in those areas and hurt our financial results. In addition, our results of operations from international activities have been adversely affected by significant decreases in well rig and drilling activity in the North Sea. For example, while 80 rigs were in operation in the North Sea at the end of 1992, there were only 34 rigs in operation in that same area at March 31, 1999. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations”, “—Results of Operations” and “Selected Financial Data.”

***We face risks related to foreign currency exchange rates.***

Approximately 8.1% of our net revenue and 13.3% operating expenses in 1999 were denominated in foreign currencies. For the three months ended March 31, 2000, 4.5% of our net revenue and 9.5% of our operating expenses were denominated in foreign currencies. Because a portion of our revenue and operating expenses are denominated in foreign currencies, we are subject to foreign exchange risks that could adversely affect our operations. To the extent that we incur expenses in U.S. dollars but earn revenue in foreign currencies, any decrease in the values of those foreign currencies relative to the U.S. dollar could cause our profit margins to decline or could cause our products to be less competitive against those of foreign competitors. To the extent that our foreign currency and receivables denominated in foreign currency exceed our payables denominated in foreign currency, we have foreign exchange exposure. At this time, we do not have any plans to hedge any of our exposures to currency exchange rates.

***We may be unable to realize our business strategy of completing and integrating strategic acquisitions.***

There are risks associated with our business strategy to acquire, make investments in, or enter into joint ventures or other strategic alliances with, companies whose business complements our business. We may not be able to identify suitable candidates to acquire or enter into joint ventures or other arrangements with or we may not be able to obtain financing on satisfactory terms for those activities. In addition, if we acquire a company, we could have difficulty assimilating the personnel and operations of the acquired company, which could prevent us from realizing expected synergies. This could disrupt our ongoing business and distract our management. We cannot assure you that we would succeed in overcoming these risks or any other problems in connection with any acquisitions we may make or joint ventures we may enter into.

For a period generally ending two years after the time Great Lakes completes a distribution of our common stock to Great Lakes stockholders, if any, we will be subject to contractual restrictions which may limit our ability to make acquisitions or enter into joint ventures or other strategic alliances. For a discussion of the principal contractual restrictions to which we are subject, see “Our Relationship With Great Lakes—

Arrangements With Great Lakes—IPO and Distribution Agreement—Preservation of the Tax-Free Status of a Distribution.”

***Several of our directors, and many of our executive officers, may have conflicts of interest because they are also directors and/or executive officers of Great Lakes or because of their ownership of Great Lakes stock.***

We currently anticipate that, unless Great Lakes completes a divestiture of our common stock, four members of our board of directors will be executive officers and/or directors of Great Lakes. Our directors who are also directors and/or executive officers of Great Lakes will have obligations to both companies and may have conflicts of interest with respect to matters potentially or actually involving or affecting us, such as acquisitions, financings and other corporate opportunities that may be suitable for both us and Great Lakes. See “Description of Capital Stock—Anti-takeover Effects of Certificate and By-law Provisions.”

Five of our directors and many of our executive officers may own Great Lakes stock and/or options to acquire Great Lakes stock because of their relationships with Great Lakes. That ownership could create, or appear to create, potential conflicts of interest when directors and officers are faced with decisions that could have different implications for us and Great Lakes. See “Management—Stock Ownership of Directors and Executive Officers.”

***We may incur material costs in connection with our separation from Great Lakes, particularly in connection with a distribution.***

We may incur material costs and expenses, including additional taxes, insurance and employee costs, greater than those we have planned for in connection with our separation from Great Lakes. Specifically, if the completion of a distribution of our common stock by Great Lakes is held to be taxable for United States federal income tax purposes, Great Lakes could be subject to a material amount of taxes. We will be liable to Great Lakes for any corporate level taxes incurred by Great Lakes to the extent that those taxes are attributable to specific actions or failures to act by us, or to specified transactions involving us following a distribution of our common stock to Great Lakes stockholders. For a description of Great Lakes’ and our obligations in connection with a distribution, see “Our Relationship With Great Lakes—Arrangements With Great Lakes—IPO and Distribution Agreement.”

***Changes in tax law may prevent Great Lakes from pursuing a distribution of our common stock, in which case, your investment could be impaired because we will remain under Great Lakes’ control.***

The Clinton administration, in its fiscal year 2001 budget, has proposed to change the definition of “control” for purposes of effecting a transaction such as a distribution under Section 355 of the Internal Revenue Code of 1986, as amended. As proposed, the change would apply to transactions entered into on or after the date of enactment. Although Great Lakes has no current intention to effect such a distribution, if this or a similar proposal were enacted, Great Lakes may not be able to make a distribution in a tax efficient manner. If there are adverse tax consequences to Great Lakes in connection with a distribution, Great Lakes may decide not to make a distribution. This could impair the value of your investment in our company because the market may place a lower value on our stock if we remain a majority-owned subsidiary of Great Lakes than if we become an independent company. We cannot predict whether the Clinton administration’s proposal eventually will be enacted by Congress and, if enacted, whether it will be in the form proposed.

***The market price of our Class A common stock could be adversely affected by sales of substantial amounts of our common stock in the public market.***

Sales by Great Lakes or others of substantial amounts of our common stock in the public market, or the perception that such sales might occur, could depress the price of our Class A common stock. In addition to the adverse effect a price decline could have on holders of our Class A common stock, that decline would likely impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities. Great Lakes will hold 8,400,000 shares of our common stock following this offering which will be 60.0% of our outstanding stock, or 56.6% if the underwriters exercise their overallotment option in full.



In addition, approximately 460,000 shares of our Class A common stock will be issuable upon exercise by our management of stock options that were granted in connection with this offering. These options vest and become exercisable ratably over a three year period commencing one year from the date of this offering. Although Great Lakes has agreed with Salomon Smith Barney that it will not sell any of its shares for at least 180 days following the offering, Salomon Smith Barney may release all or any portion of Great Lakes' shares from this lock-up agreement at any time. Furthermore, after the lock-up period expires, Great Lakes will be able to sell its shares in accordance with the provisions of Rule 144 under the Securities Act or pursuant to the registration rights that we have granted Great Lakes.

We cannot predict whether substantial amounts of our Class A common stock will be sold in the open market in anticipation of, or following, any divestiture of our Class B shares by Great Lakes. Great Lakes has the sole discretion to determine the timing, structure and all terms of any divestiture of our common stock, all of which could affect the level of market transactions in our Class A common stock. In addition, if Great Lakes does not distribute to the holders of its common stock all of the shares of OSCA common stock that Great Lakes owns, Great Lakes and its transferees will have the right to require us to register those shares of our common stock under the U.S. federal securities laws for sale into the public market. See "Our Relationship With Great Lakes—Arrangements With Great Lakes—Registration Rights Agreement" and "Shares Eligible for Future Sale."

***The disparate voting rights of our Class A shares and our Class B shares could impair the value and liquidity of our Class A common stock.***

The difference between the voting rights of our Class A common stock and our Class B common stock could depress the value of the Class A common stock to the extent that investors or any potential future purchaser of our common stock ascribes value to the superior voting rights of the Class B shares. The existence of two separate classes of common stock could result in less liquidity for either class of common stock than if there were only one class. See "Our Relationship With Great Lakes" and "Description of Capital Stock."

***We are subject to contractual limitations by Great Lakes that could limit the conduct of our business and our ability to pursue our business objectives and business opportunities.***

In connection with this offering, we have entered into an agreement with Great Lakes that contains a number of restrictive covenants that, individually or in the aggregate, could materially limit the way in which we conduct our business and our ability to pursue our business objectives. Consequently, our financial results might be weaker than what they would have been in the absence of these restrictions and we may be unable to meet our growth objectives. Covenants in our agreement with Great Lakes will, among other things, limit our ability to complete acquisitions and divestitures, incur indebtedness and issue capital stock. These covenants generally expire either two years after a distribution of our common stock to Great Lakes stockholders, if any, or, if Great Lakes determines not to complete a distribution, the last date on which Great Lakes distributed any of our common stock. The limitations placed on us by these restrictions could impair the value of your investment in our company. For more information about these restrictions, see "Our Relationship With Great Lakes—Arrangements With Great Lakes—IPO and Distribution Agreement."

***We may be adversely affected by the environmental and safety regulations to which we are subject.***

We are subject to federal, state and local environmental and occupational safety and health laws and regulations in the United States and other countries in which we do business. We cannot assure you that we have been, or will be at all times, in compliance with all these requirements. These requirements, and enforcement of these requirements, may become more stringent in the future. Although we cannot predict the ultimate cost of compliance with any future requirements, the costs could be material. Non-compliance could subject us to material liabilities, such as government fines, third-party lawsuits or the suspension of operations. Through the routine course of providing our services, we handle, store and transport bulk quantities of

hazardous materials. If a leak or spill from our facilities or vessels or otherwise occurred in connection with our operations, we could incur material costs to remediate any resulting contamination. In addition, our business depends on the demand for our services from the oil and gas industry and could be materially impaired by changes in the environmental and safety regulations relating to the oil and gas industry to the extent those regulations increase our customers' costs or otherwise affect their demand for our products and services or their ability generally to pursue exploration and development activities. For more information about our environmental compliance and potential environmental liabilities, see "Business—Environmental Matters."

***We may have potential business conflicts of interest with Great Lakes with respect to our past and ongoing relationships.***

Unless Great Lakes completes a divestiture of our common stock, it will continue to be our controlling stockholder. After this offering we will have contractual arrangements with Great Lakes that require Great Lakes and its affiliates to supply products and provide various transitional services to us. As a result, conflicts of interest may arise between us and Great Lakes in a number of areas relating to our past and ongoing relationships.

We cannot assure you that we will be able to resolve any potential conflicts or that, if resolved, we would not be able to receive a more favorable resolution if we were dealing with an unaffiliated party. Agreements we have entered into with Great Lakes may be amended from time to time upon agreement between the parties. For so long as we are controlled by Great Lakes, we cannot assure you that Great Lakes would not require us to agree to an amendment to any agreement that may be less favorable to us than the current terms of that agreement. Our ability to incur indebtedness, make acquisitions and dispositions and issue stock is subject to the terms of another agreement that we have entered into with Great Lakes described elsewhere in this prospectus. See "Our Relationship With Great Lakes—Arrangements With Great Lakes—IPO and Distribution Agreement."

***We have limited experience as a stand-alone company, and the transitional services being provided to us by Great Lakes may not be sufficient to meet our needs.***

Since 1982, our business operations have been conducted by various entities owned directly or indirectly by Great Lakes and since our acquisition by Great Lakes, we have had no independent operating history. Following this offering, we will be required to supplement our financial, administrative and other resources to provide services necessary to operate successfully as a fully independent company. These requirements will place an additional demand on our management, and any failure to meet these challenges could significantly impair our business.

While Great Lakes is contractually obligated to provide us with some transitional services, we cannot assure you that such services will be sustained at the same level as when we were part of Great Lakes or that we will obtain the same benefits. Great Lakes is only obligated to provide these transitional services for a limited period of time, generally until Great Lakes completes a divestiture of our common stock. For more information about the term of Great Lakes' obligation to provide these services, see "Our Relationship with Great Lakes—Arrangements with Great Lakes—Services Agreement." Furthermore, we cannot assure you that, after the expiration of these various arrangements, we will be able to replace the transitional services in a timely manner or on terms and conditions, including cost, as favorable as those we will receive from Great Lakes.

These agreements were made in the context of a parent-subsidiary relationship and were negotiated in the overall context of our separation from Great Lakes. The prices charged to us under these agreements may be higher or lower than the prices that may be charged by unaffiliated third parties for similar services. For more information about these arrangements, see "Our Relationship With Great Lakes—Arrangements With Great Lakes."

***Our results of operations are subject to quarterly fluctuations based on changes in demand for our services by oil and gas companies. These fluctuations could result in volatility in our stock price.***

Our operations are subject to fluctuations in demand for our services by oil and gas companies, which may cause our results of operations to fluctuate on a quarterly basis. Our results of operations are dependent on the level of well completion activity in the markets in which we operate, and such activities are, in turn, subject to both short-term and long-term trends in oil and gas prices. The timing and magnitude of our customers' purchases and the incurrence of operating expenses by us can lead to significant fluctuations in our quarterly results of operations, which may, in turn, result in significant fluctuations in the price of our Class A common stock.

***Provisions in our corporate documents, as well as provisions of Delaware law, could discourage a change in control of our company that stockholders may consider favorable. Consequently these provisions could depress the price of our Class A common stock.***

The existence of some provisions in our corporate documents and Delaware law could delay or prevent a change in control of our company that stockholders may consider favorable. This may reduce the market price of our common stock. Our certificate of incorporation and bylaws contain provisions that may make the acquisition of control of our company more difficult, including provisions relating to the nomination, election and removal of directors and limitations on actions by our stockholders. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. Great Lakes is generally exempted from these provisions and will have special rights so long as it owns at least a majority of our outstanding common stock. For a description of these provisions and agreements, see "Description of Capital Stock."

***Our stock price may fluctuate significantly following the offering and you could lose all or part of your investment as a result.***

There previously has been no public market for our common stock, and we cannot predict the extent to which investor interest in us will lead to the development of a liquid trading market. You may not be able to resell your Class A shares at or above the initial public offering price, which will be determined through negotiations among us, Great Lakes and the representatives of the underwriters and may not be indicative of prices that will prevail in the trading market.

The market price of our Class A common stock may experience significant fluctuations in response to:

- our operating results;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- news announcements regarding the oil and gas industry in general or us or any of our customers or competitors;
- performance of similar companies; or
- other factors beyond our control.

The realization of any of the risks described in these "Risk Factors," including the possibility of substantial sales of our common stock and the timing, structure and terms of a distribution could cause the market price of our Class A common stock to decline significantly.

In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies which may depress the trading price of our Class A common stock.

## **FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements, including, without limitation, statements concerning the conditions in the industries in which we compete, our operations, economic performance and financial condition, including in particular statements relating to our business and growth strategy and product development efforts. The words “believe,” “expect,” “anticipate,” “intend” and other similar expressions generally identify forward-looking statements. Potential investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based largely on our current expectations and are subject to a number of risks and uncertainties, including, without limitation, those identified under “Risk Factors” and elsewhere in this prospectus and other risks and uncertainties indicated from time to time in our filings with the SEC. Actual results could differ materially from these forward-looking statements. In addition, important factors to consider in evaluating such forward-looking statements include changes in external market factors, changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors and various other competitive factors. In light of these risks and uncertainties, there can be no assurance that the matters referred to in the forward-looking statements contained in this prospectus will in fact occur.

## **USE OF PROCEEDS**

We estimate that we will receive net proceeds from the offering of about \$76.1 million, or about \$87.8 million if the underwriters exercise their over-allotment option in full. For purposes of this calculation, we have assumed an initial public offering price of \$15.00 per share, the midpoint of the range set forth on the cover of this prospectus. In addition, we anticipate that we will borrow approximately \$31.0 million under a proposed credit facility that we will enter into at or about the time of this offering.

We intend to use the aggregate proceeds of this offering, including amounts we may receive from the exercise of the underwriters’ over-allotment option, and borrowings under the proposed credit facility and cash on hand to repay indebtedness in an aggregate amount of \$115.9 million owed by us to Great Lakes. This indebtedness is payable upon demand and does not bear interest. Should the aggregate proceeds of this offering and borrowings under the proposed credit facility exceed the amount of indebtedness we owe Great Lakes, we will use the remainder to pay Great Lakes an additional dividend. The remaining balance, if any, owed to Great Lakes after this repayment will be contributed to us as equity capital from Great Lakes. After this offering and the related transactions, we will have approximately \$6.0 million in cash or cash equivalents and approximately \$9.0 million in availability under the proposed credit facility, which will be available for general corporate purposes, including working capital and capital expenditures. See “Capitalization” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

## **DIVIDEND POLICY**

We do not expect to pay dividends on our common stock for the foreseeable future. Instead, we anticipate that all of our earnings in the foreseeable future will be used for working capital and other general corporate purposes. The determination of any future cash dividends will depend upon declaration by our board of directors and upon our financial condition, results of operations, cash flow, the level of our capital expenditures, our future business prospects and such other matters that our board of directors deems relevant. In addition, we may be restricted in our ability to declare and pay dividends by the terms of any credit facility or other financial instrument that we elect to enter into from time to time. We are not currently subject to any such restriction, but we cannot assure you that this will continue to be the case.

## CAPITALIZATION

Set forth below is the actual capitalization of our company at March 31, 2000 and as adjusted to give effect to:

- this offering,
- borrowings of approximately \$31.0 million under a proposed credit facility, and
- the related transactions described elsewhere in this prospectus.

This information assumes an initial public offering price of \$15.00 per share, the midpoint of the range set forth on the cover of this prospectus. You should read the information set forth below in conjunction with “Pro Forma Condensed Consolidated Financial Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere in this prospectus.

	At March 31, 2000	
	Actual	As Adjusted
	(in thousands)	
Cash and cash equivalents . . . . .	\$ 13,644	\$ 6,000
Debt:		
Dividend note payable to Great Lakes . . . . .	\$ 65,000	\$ —
Due to Great Lakes . . . . .	50,866	—
Notes payable—related party, including current portion . . . . .	472	472
Proposed credit facility . . . . .	—	31,000
Total debt: . . . . .	<u>116,338</u>	<u>31,472</u>
Stockholders’ equity (deficit):		
Preferred stock, \$.01 par value, 5,000,000 shares authorized, no shares issued or outstanding . . . . .	—	—
Common stock, no par value, 1,000,000 shares authorized, issued and outstanding . . . . .	774	—
Class A common stock, \$.01 par value, 25,000,000 shares authorized, 5,600,000 shares issued and outstanding on an as adjusted basis . . . . .	—	56
Class B common stock, \$.01 par value, 40,000,000 shares authorized, 8,400,000 shares issued and outstanding on an as adjusted basis . . . . .	—	84
Additional paid-in capital . . . . .	—	76,710
Retained earnings (deficit) . . . . .	(18,593)	(18,593)
Accumulated other comprehensive loss . . . . .	(1,763)	(1,763)
Total stockholders’ equity (deficit) . . . . .	<u>(19,582)</u>	<u>56,494</u>
Total capitalization . . . . .	<u>\$ 96,756</u>	<u>\$ 87,966</u>

**SELECTED FINANCIAL DATA**  
(in thousands, except share and per share data)

The following table sets forth our selected historical financial data for the periods and as of the dates presented. The statement of operations data for each of the years in the three-year period ended December 31, 1999 and the balance sheet data at December 31, 1998 and 1999 have been derived from our consolidated financial statements and notes thereto, which are included elsewhere in this prospectus, and have been audited by Ernst & Young, LLP independent auditors. The statement of operations data and the balance sheet data for the three months ended March 31, 1999 and 2000 are derived from unaudited financial statements. The statement of operations data for 1995 and 1996 and the balance sheet data at December 31, 1995, 1996 and 1997 are based on our and Great Lakes' accounting records which, in management's opinion, include all adjustments necessary for the fair presentation of our financial position at such dates and the results of operation for such respective periods. In addition, the historical consolidated statement of operations data set forth below has been adjusted to reflect many significant changes that will occur in the operations and funding of our company as a result of our separation from Great Lakes. Our selected financial data should be read in conjunction with, and are qualified by reference to, "Pro Forma Condensed Consolidated Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this prospectus. The financial information presented below may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented. See "Risk Factors—Our historical financial information may not be representative of our results as a separate company."

Statement of Operations Data:	Year Ended December 31,					Three Months Ended March 31,	
	1995	1996	1997	1998	1999	1999	2000
	(unaudited)			(audited)		(unaudited)	
	(in thousands, except share and per share data)						
Net revenue	\$ 71,351	\$ 95,685	\$ 112,739	\$ 113,369	\$ 91,938	\$ 23,023	\$ 26,501
Operating expenses:							
Cost of sales	48,126	65,916	78,026	88,800	74,635	16,862	19,472
Selling, administrative and research expenses	10,735	12,438	16,515	19,271	18,153	5,689	5,897
Amortization of intangibles	242	247	251	370	432	99	99
Special charges (credit) (1)	—	3,100	—	13,350	(2,550)	—	—
Operating income (loss)	12,248	13,984	17,947	(8,422)	1,268	373	1,033
Interest expense (income), net	108	(46)	(191)	(137)	(114)	(41)	(66)
Other expense (income), net	(855)	(498)	(16)	538	(724)	381	(131)
Income (loss) before income taxes	12,995	14,528	18,154	(8,823)	2,106	33	1,230
Income tax provision (benefit)	4,183	6,658	6,727	(1,943)	1,284	20	541
Net income (loss)	\$ 8,812	\$ 7,870	\$ 11,427	\$ (6,880)	\$ 822	\$ 13	\$ 689
Earnings per share	\$ 8.81	\$ 7.87	\$ 11.43	\$ (6.88)	\$ .82	\$ .01	\$ .69
Weighted average shares outstanding	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Other Data:</b>							
Net cash provided by operating activities	\$ 8,156	\$ 9,359	\$ 17,403	\$ 28,068	\$ 8,089	\$ 1,514	\$ 10,625
Net cash used in investing activities	(9,973)	(4,754)	(18,665)	(27,798)	(5,962)	(2,434)	(538)
Net cash provided by (used in) financing activities	(125)	—	—	793	(2,473)	(22)	—
EBITDA (2)	15,918	17,749	22,318	(2,907)	9,304	1,587	3,223
Adjusted EBITDA (3)	15,918	20,849	22,318	10,443	6,754	1,587	3,223
Depreciation and amortization	2,815	3,267	4,355	6,053	7,312	1,595	2,059
Capital expenditures	9,986	6,301	18,913	24,140	5,873	3,547	863
<b>Balance Sheet Data (at period end):</b>							
Working capital (deficit)	\$ 28,209	\$ 39,180	\$ 48,937	\$ 44,411	\$ (29,480)	\$ 42,952	\$ (19,949)
Property and equipment, net	19,836	19,534	34,085	46,054	46,928	46,915	45,590
Total assets	62,023	74,497	100,179	120,044	101,687	115,362	110,200
Total debt	17,816	20,527	34,178	53,310	109,113	53,885	116,338
Total stockholder's equity (deficit)/Great Lakes Investment	35,671	43,519	54,928	47,724	(19,930)	46,325	(19,582)

- (1) In 1996, we incurred special charges of \$3.1 million related to an asset impairment. In 1998, we incurred special charges of \$13.4 million related to asset impairments, write-down of the carrying value of an asset to be disposed of for fair value, severance costs, lease costs and other related charges. In 1999, we recognized a credit to special charges of \$2.5 million for an upward adjustment of the carrying value of an asset held for disposal which was impaired in 1998. See note 4 to our consolidated financial statements.
- (2) We define “EBITDA” as income (loss) before income taxes, plus depreciation, amortization of intangibles and interest expense (income), net. We believe EBITDA is a widely accepted indicator of a company’s ability to service and/or incur indebtedness. However, EBITDA should not be considered as an alternative to net income as a measure of operating results or to cash flows as a measure of liquidity in accordance with generally accepted accounting principles.
- (3) “Adjusted EBITDA” is EBITDA plus adjustments to eliminate the effect of special charges (credit) of \$3,100, \$13,350 and \$(2,550) in 1996, 1998 and 1999, respectively.

## **PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

We prepared the following unaudited pro forma condensed consolidated financial statements as of and for the year ended December 31, 1999 and as of and for the three months ended March 31, 2000 to illustrate the estimated effects of this offering, our separation from Great Lakes and related transactions as described below. The pro forma condensed consolidated statement of operations for the year ended December 31, 1999 and the three months ended March 31, 2000 is presented as if such transactions had occurred as of January 1, 1999 and 2000, respectively. The pro forma condensed consolidated balance sheet data as of December 31, 1999 and March 31, 2000 are presented as if such transactions had occurred on those dates. We believe that the assumptions used provide a reasonable basis for presenting the significant effects directly attributable to this offering, our separation from Great Lakes and related transactions. The pro forma condensed consolidated financial statements do not purport to represent what our results of operations or financial position would actually have been if such transactions had in fact occurred on such dates or to project our results of operations or financial position for any future period or date. These statements should be read in connection with, and are qualified by reference to, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere in this prospectus.



## **REPORT OF INDEPENDENT AUDITORS**

We have examined the pro forma adjustments reflecting the transactions as described in the notes and introduction to the pro forma condensed consolidated financial statements and the application of those adjustments to the historical amounts in the accompanying pro forma condensed consolidated balance sheet of OSCA, Inc. as of December 31, 1999, and the pro forma condensed consolidated statement of operations for the year then ended. The historical condensed consolidated financial statements are derived from the historical financial statements of OSCA, Inc., which were audited by us, and appear elsewhere in this prospectus. Such pro forma adjustments are based upon management's assumptions as described in the notes and introduction. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances.

In addition, we have reviewed the related pro forma adjustments reflecting the transactions as described in the notes and introduction to the pro forma condensed consolidated financial statements and the application of those adjustments to the historical amounts in the accompanying pro forma condensed consolidated balance sheet of OSCA, Inc. as of March 31, 2000, and the pro forma condensed consolidated statement of operations for the three months then ended. The historical condensed consolidated financial statements are derived from the historical consolidated financial statements of OSCA, Inc., which were reviewed by us, and appear elsewhere in this prospectus. Such pro forma adjustments are based upon management's assumptions as described in the notes and introduction. Our review was made in accordance with standards established by the American Institute of Certified Public Accountants.

The objective of this pro forma financial information is to show what the significant effects on the historical information might have been had the transaction occurred at an earlier date. However, the pro forma condensed consolidated financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction actually occurred earlier.

In our opinion, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transactions described in the notes and introduction, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma column reflects the proper application of those adjustments to the historical consolidated financial statement amounts in the pro forma condensed consolidated balance sheet as of December 31, 1999, and the pro forma condensed consolidated statement of operations for the year then ended.

A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro forma adjustments and the application of those adjustments to historical financial information. Accordingly, we do not express such an opinion on the pro forma adjustments or the application of such adjustments to the pro forma condensed consolidated balance sheet as of March 31, 2000, and the pro forma condensed consolidated statement of operations for the three months then ended. Based on our review, however, nothing came to our attention that caused us to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transactions described in the notes and introduction, that the related pro forma adjustments do not give appropriate effect to those assumptions, or that the pro forma column does not reflect the proper application of those adjustments to the historical consolidated financial statement amounts in the pro forma condensed consolidated balance sheet as of March 31, 2000, and the pro forma condensed consolidated statement of operations for the three months then ended.

ERNST & YOUNG LLP

May 19, 2000  
Indianapolis, Indiana

# **PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**Three Months Ended March 31, 2000**

**(Unaudited)**

	<u>Historical</u>	<u>Adjustments</u> (in thousands, except per share data)	<u>Pro Forma</u>
Net revenue . . . . .	\$ 26,501	\$ —	\$ 26,501
Operating expenses:			
Cost of sales . . . . .	19,472	(2,690)(1) 2,620 (2)	19,402
Selling, administrative and research expenses . . . . .	5,897	(340)(3) 181 (4)	5,738
Amortization of intangibles . . . . .	99	—	99
Operating income (loss) . . . . .	1,033	229	1,262
Interest expense . . . . .	7	627 (5)	634
Interest income . . . . .	(73)	—	(73)
Other expense (income)—net . . . . .	(131)	—	(131)
Income (loss) before income taxes . . . . .	1,230	(398)	832
Income tax provision (benefit) . . . . .	541	(175)	366
Net income (loss) . . . . .	<u>\$ 689</u>	<u>\$ (223)</u>	<u>\$ 466</u>
Earnings per share:			
Basic and diluted . . . . .	\$ 0.69		\$ 0.03 (6)
Weighted average shares outstanding . . . . .	1,000,000		14,000,000 (6)

# PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

At March 31, 2000  
(Unaudited)

	<u>Historical</u>	<u>Adjustments</u> (in thousands)	<u>Pro Forma</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents . . . . .	\$ 13,644	\$ (7,644)(9)	\$ 6,000
Accounts and notes receivable, less allowances . . . . .	18,410	—	18,410
Inventories . . . . .	20,569	—	20,569
Prepaid expenses and other current assets . . . . .	2,561	(1,146)(7)	1,415
Deferred income taxes . . . . .	1,659	—	1,659
Income taxes receivable . . . . .	197	—	197
Total current assets . . . . .	<u>57,040</u>	<u>(8,790)</u>	<u>48,250</u>
Property and equipment, net . . . . .	45,590	—	45,590
Goodwill and other intangibles, net . . . . .	7,570	—	7,570
Total assets . . . . .	<u>\$110,200</u>	<u>\$ (8,790)</u>	<u>\$101,410</u>
<b>Liabilities and Stockholders' Equity (Deficit):</b>			
Current liabilities:			
Accounts payable . . . . .	\$ 8,155	\$ —	\$ 8,155
Dividend note payable to Great Lakes . . . . .	65,000	(65,000)(9)	—
Accrued liabilities . . . . .	3,716	—	3,716
Current portion of notes payable . . . . .	118	—	118
Total current liabilities . . . . .	<u>76,989</u>	<u>(65,000)</u>	<u>11,989</u>
Deferred income taxes . . . . .	1,573	—	1,573
Note payable—related party . . . . .	354	—	354
Long-term debt . . . . .	—	31,000 (8)(9)	31,000
Due to Great Lakes . . . . .	50,866	(50,866)(9)	—
Stockholders' equity (deficit) . . . . .	<u>(19,582)</u>	<u>76,076 (9)</u>	<u>56,494</u>
Total liabilities and stockholders' equity (deficit) . . . . .	<u>\$110,200</u>	<u>\$ (8,790)</u>	<u>\$101,410</u>

# **PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**Year Ended December 31, 1999**

**(Unaudited)**

	<u>Historical</u>	<u>Adjustments</u> (in thousands, except per share data)	<u>Pro Forma</u>
Net revenue . . . . .	\$ 91,938	\$ —	\$ 91,938
Operating expenses:			
Cost of sales . . . . .	74,635	(9,178)(1) 10,188 (2)	75,645
Selling, administrative and research expenses . . . . .	18,153	(1,637)(3) 724 (4)	17,240
Amortization of intangibles . . . . .	432	—	432
Special charges (credit) . . . . .	(2,550)	—	(2,550)
Operating income (loss) . . . . .	1,268	(97)	1,171
Interest expense . . . . .	37	2,507 (5)	2,544
Interest income . . . . .	(151)	—	(151)
Other expense (income)—net . . . . .	(724)	—	(724)
Income (loss) before income taxes . . . . .	2,106	(2,604)	(498)
Income tax provision (benefit) . . . . .	1,284	(990)	294
Net income (loss) . . . . .	<u>\$ 822</u>	<u>\$ (1,614)</u>	<u>\$ (792)</u>
Earnings per share:			
Basic and diluted . . . . .	\$ 0.82		\$ (0.06)(6)
Weighted average shares outstanding . . . . .	1,000,000		14,000,000 (6)

# PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

At December 31, 1999  
(Unaudited)

	<u>Historical</u>	<u>Adjustments</u> (in thousands)	<u>Pro Forma</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents . . . . .	\$ 3,898	\$ —	\$ 3,898
Accounts and notes receivable, less allowances . . . . .	20,800	—	20,800
Inventories . . . . .	19,321	—	19,321
Prepaid expenses and other current assets . . . . .	1,573	(930)(7)	643
Deferred income taxes . . . . .	1,465	—	1,465
Income taxes receivable . . . . .	128	—	128
Total current assets . . . . .	<u>47,185</u>	<u>(930)</u>	<u>46,255</u>
Property and equipment, net . . . . .	46,928	—	46,928
Goodwill and other intangibles, net . . . . .	7,574	—	7,574
Total assets . . . . .	<u>\$101,687</u>	<u>\$ (930)</u>	<u>\$100,757</u>
<b>Liabilities and Stockholders' Equity (Deficit):</b>			
Current liabilities:			
Accounts payable . . . . .	\$ 6,496	\$ —	\$ 6,496
Dividend note payable to Great Lakes . . . . .	65,000	(65,000)(9)	—
Accrued liabilities . . . . .	5,051	—	5,051
Current portion of notes payable . . . . .	118	—	118
Total current liabilities . . . . .	<u>76,665</u>	<u>(65,000)</u>	<u>11,665</u>
Deferred income taxes . . . . .	957	—	957
Note payable—related party . . . . .	354	—	354
Long-term debt . . . . .	—	31,000 (8)(9)	31,000
Due to Great Lakes . . . . .	43,641	(43,641)(9)	—
Stockholders' equity (deficit) . . . . .	<u>(19,930)</u>	<u>76,711 (9)</u>	<u>56,781</u>
Total liabilities and stockholders' equity (deficit) . . . . .	<u>\$101,687</u>	<u>\$ (930)</u>	<u>\$100,757</u>

## NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- (1) Reflects the elimination of actual intercompany cost of sales related to the purchase of brominated products from Great Lakes based upon a transfer price.
- (2) Reflects the estimated intercompany cost of sales related to the purchase of brominated products from Great Lakes as determined under the Brominated Products Supply Agreement entered into in connection with this offering.
- (3) Reflects the elimination of allocated selling, administrative and research expenses charged to OSCA by Great Lakes through the intercompany account.
- (4) Reflects the estimated selling, administrative and research expenses to be supplied by Great Lakes under the Services Agreement entered into in connection with this offering and estimated selling, administrative and research expenses for services obtained from third party providers upon separation from Great Lakes.
- (5) Adjustments to reflect interest expense and related fees to be incurred in connection with estimated borrowings under a proposed third party credit facility to be entered into at or about the time of the offering as follows:
  - (a) Interest expense is based upon a floating rate credit facility using an assumed current interest rate of 7.85%. A 0.125% increase in interest rate would increase interest expense, and thereby decrease income before taxes, by approximately \$40,000 and \$10,000 for the year ended December 31, 1999 and the three months ended March 31, 2000 respectively.
  - (b) Fees include an annual fee equal to 0.15% of the committed amount under the proposed credit facility payable to Great Lakes in respect of its guarantee of that facility, and an annual commitment fee of 0.15% of the unused committed amount payable to the lenders under that facility.
- (6) Reflects the issuance of shares of Class A common stock, the recapitalization of Great Lakes' Class B shares and related adjustments to basic and diluted earnings per share in connection with the offering.
- (7) Adjustment to recognize prepaid expenses related to the offering.
- (8) Reflects the estimated borrowings under a proposed third party credit facility to be entered into at the time of the offering.
- (9) The pro forma adjustments for the proceeds of the offering are as follows:
  - (a) The total proceeds to be received at the time of the offering are estimated to be \$107.1 million, which includes net proceeds from the offering of \$76.1 million and estimated borrowings under the credit facility of \$31.0 million.
  - (b) Reflects the repayment to Great Lakes of \$108.6 million and \$115.9 million at December 31, 1999 and March 31, 2000, respectively. These amounts include the dividend note payable to Great Lakes of \$65.0 million and the intercompany balance due to Great Lakes of \$43.6 million and \$50.9 million at December 31, 1999 and March 31, 2000, respectively. The December 31, 1999 repayment is from the net proceeds from the offering and borrowings under the proposed credit agreement. The March 31, 2000 repayment is from those sources plus cash on hand.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following section contains forward-looking statements including, without limitation, statements relating to our plans, strategies, objectives, expectations, intentions and resources. See "Forward-Looking Statements."*

### **Basis of Presentation**

The discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Financial Data," "Pro Forma Condensed Consolidated Financial Statements" and the consolidated financial statements and related notes, which appear elsewhere in this prospectus.

Since 1982, our business operations have been conducted by various entities owned directly or indirectly by Great Lakes. In order to accomplish this offering and appropriately reflect the businesses to be included in this offering, it was necessary for Great Lakes to transfer certain foreign subsidiaries previously owned by Great Lakes to us. This transfer was completed in December 1999 and resulted in our direct ownership of those subsidiaries. Accordingly, financial information for 1999 is presented on a consolidated basis. Prior to the transfer of these foreign subsidiaries, operations were conducted by us and our subsidiaries and, in some cases, subsidiaries of Great Lakes. Therefore, the financial information for the periods prior to the transfer are presented on a combined basis.

The accompanying financial statements reflect the historical financial position, results of operations, changes in stockholder's equity (deficit) and cash flows directly related to us and our affiliates, adjusted to include only those parts of our business which will remain part of our company after the offering. These adjustments, which were made to the historical accounting records of OSCA, consist primarily of the "carve-out" or elimination of the assets, liabilities and results of operations of two businesses owned by OSCA. These adjustments were made for all periods presented. These two businesses consisted of the former environmental remediation services business owned by OSCA through its wholly-owned subsidiary, OSCA de Mexico, and OSCA's 50% ownership interest in a joint venture formed to provide pipeline commissioning and infrastructure support services primarily in the Gulf of Mexico.

This "carve-out" is supported by the terms of a Separation Agreement entered into with Great Lakes. The Separation Agreement specifies that as of the closing date of the offering, Great Lakes will assume and will indemnify OSCA for all claims, charges, assessments and liabilities, known and unknown, directly or indirectly relating to these businesses. Additionally, Great Lakes will be entitled to all rights and beneficial interest in all tangible and intangible assets relating to these businesses. Therefore, the future results of operations and financial position of OSCA will not be impacted by these businesses.

These financial statements have been prepared from our and Great Lakes' historical accounting records and include the historical operations of entities directly owned by us and operations transferred to us by Great Lakes in December 1999. Accordingly, Great Lakes' net investment is shown in lieu of stockholder's equity (deficit) in the financial statements prior to the transfer.

The statements of operations include all material costs of doing business including costs related to services provided to us by Great Lakes. Charges to us for such services are based on a number of factors including actual and allocated charges. These charges are not necessarily indicative of the costs and expenses that would have resulted if we had been operated as a separate entity for the periods presented.

We are organized into three global business segments: Completion Fluids, Completion Services and Downhole Completion Tools. The units are organized to offer a distinct group of products, technology and services.

### **Factors Affecting Results of Operations**

Demand for our services depends primarily on activity in the oil and gas exploration and production industry in the Gulf of Mexico and in select international markets. This activity is driven mostly by current and

expected market prices for oil and gas and by the exploration and production budgets of our principal customers. These factors are largely dependent, in turn, on global and regional levels of energy supply and demand. Generally, increasing energy demand and commodity prices generate increased exploration and production activity, which translates to greater demand for our services. Conversely, in periods of falling energy demand and commodity prices, demand for our services generally declines. Historically, changes in the budgets and activity levels of exploration and production companies have lagged significant movements in oil and gas prices.

The effect of lower oil prices was evident during the second half of 1998 and first half of 1999 when the oil and gas industry experienced a significant downturn. Oil prices declined to their lowest level in over 12 years. This decline resulted in oil and gas companies canceling or deferring a significant portion of their exploration and development activities, which led to reduced demand for our products and services and increased pricing pressure.

Oil prices substantially recovered in the second half of 1999, and exploration and production companies enjoyed improved operating results and cash flows. In the fourth quarter of 1999, exploration and production activity began to increase in the Gulf of Mexico. Recovery is lagging somewhat in international markets but is expected to increase. Oil prices continued their upward trend in the first quarter of 2000, temporarily reaching their highest level since the Gulf War.

Merger activity among both major and independent oil and gas companies also affects exploration, development and production activity, as these organizations attempt to increase efficiency and reduce costs. Generally, only the more promising exploration and development projects from each merged entity are likely to be pursued, which may result in overall lower post merger exploration and development budgets.

The main drivers of our revenue are the number of wells completed in the Gulf of Mexico and, to a lesser degree, growth in select international markets such as Brazil, Venezuela and the North Sea. These drivers are, in turn, dependent on the factors and dynamics described above.

The main components of our operating expenses are cost of sales and selling, administrative and research expenses. Each of these expense items includes expenses that, at least in the short term, are relatively fixed. Therefore, as our revenues fluctuate in response to the factors and dynamics described above, our expenses as a percentage of revenues fluctuate accordingly. During the last industry downturn, in 1998 and 1999, we elected to maintain, and in some instances expand, our productive and sales capacity to prepare ourselves for the next industry expansion, and as a result our expenses increased significantly as a percentage of revenues. This effect reversed itself in late 1999 and early 2000 as our revenues increased as a result of increased industry activity.



## Results of Operations

The following table summarizes our historical results of operations as a percentage of net revenue for the periods indicated. The historical financial data for 1997, 1998 and 1999 were derived from our audited consolidated financial statements included elsewhere in this prospectus. The information contained in this table should be read in conjunction with “Selected Financial Data” and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Year ended December 31,			Three Months Ended March 31,	
	1997	1998	1999	1999	2000
<b>Statement of Operations Data:</b>					
Net revenue . . . . .	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Cost of sales . . . . .	69.2	78.3	81.2	73.2	73.5
Selling, administrative and research expenses . . . . .	14.7	17.0	19.7	24.8	22.2
Amortization of intangibles . . . . .	0.2	0.3	0.5	0.4	0.4
Special charges (credit) . . . . .	—	11.8	(2.8)	—	—
Total operating expenses . . . . .	84.1	107.4	98.6	98.4	96.1
Operating income (loss) . . . . .	15.9	(7.4)	1.4	1.6	3.9
Interest expense (income), net . . . . .	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)
Other expense (income), net . . . . .	—	0.5	(0.8)	1.6	(0.5)
Income (loss) before income taxes . . . . .	16.1	(7.8)	2.3	0.1	4.6
Income tax provision (benefit) . . . . .	6.0	(1.7)	1.4	0.1	2.0
Net income (loss) . . . . .	10.1	(6.1)	0.9	0.0	2.6

### *Three months ended March 31, 2000 versus three months ended March 31, 1999*

**Net Revenue.** Net revenue for the three months ended March 31, 2000 increased \$3.5 million, or 15.2%, to \$26.5 million from \$23.0 million for the three months ended March 31, 1999. The increase was principally attributable to a rise in oil prices that resulted in an increase in worldwide drilling activities, particularly in the Gulf of Mexico.

**Completion Fluids Revenue.** Revenue for completion fluids and related activities for the three months ended March 31, 2000 decreased \$0.3 million, or 2.2%, to \$13.2 million from \$13.5 million for the three months ended March 31, 1999. The decrease was attributable to general price declines for completion fluids in the industry resulting from increased competition, which was particularly severe in the Gulf of Mexico, Latin America and the North Sea.

**Completion Services Revenue.** Revenue for completion services for the three months ended March 31, 2000 increased \$2.1 million, or 33.3%, to \$8.4 million from \$6.3 million for the three months ended March 31, 1999. This increase was attributable to improved rig activity levels in the Gulf of Mexico. Rig activity levels in the Gulf of Mexico increased by over 20% for the first quarter of 2000 as compared to the first quarter of 1999.

**Downhole Completion Tools Revenue.** Revenue for downhole completion tools for the three months ended March 31, 2000 increased by \$1.7 million, or 53.1%, to \$4.9 million from \$3.2 million for the three months ended March 31, 1999. This increase in revenue was due, in relatively equal parts, to market penetration primarily attributable to the successful introduction of several new products and to increases in our customers’ rig activity in the Gulf of Mexico.

*Cost of Sales.* Cost of sales for the three months ended March 31, 2000 increased \$2.6 million, or 15.4%, to \$19.5 million from \$16.9 million from the three months ended March 31, 1999. However, as a percentage of net revenue, cost of sales increased to 73.5% for the three months ended March 31, 2000 versus 73.2% for the three months ended March 31, 1999. This increase was mainly due to deeper price discounts for products and services.

*Selling, Administrative and Research Expense.* Selling, administrative and research expense increased \$0.2 million, or 3.5%, to \$5.9 million for the three months ended March 31, 2000 compared to \$5.7 million for the three months ended March 31, 1999. However, as a percentage of net revenue, selling, administrative and research expense decreased from 24.8% to 22.2%, as a result of increased net revenues. We expect selling, administrative and research expense to continue to decrease as a percentage of net revenue.

*Amortization of Intangibles.* Amortization of intangibles remained constant.

*Operating Income.* As a result of the foregoing, operating income increased \$0.6 million to \$1.0 million for the three months ended March 31, 2000 compared to \$0.4 million for the three months ended March 31, 1999. Operating income from completion fluids, completion services and downhole completion tools was \$0.4 million, \$1.1 million and \$0.2 million, respectively, for the three months ended March 31, 2000.

*Interest Expense (Income), Net.* Net interest income was flat for the three months ended March 31, 2000 compared to the three months ended March 31, 1999.

*Other Expense (Income), Net.* Other expense (income) was \$(0.2) million for the three months ended March 31, 2000 compared to \$0.4 million for the three months ended March 31, 1999. The difference was primarily due to a gain on the sale of assets in the United Kingdom of \$0.2 million for the three months ended March 31, 2000 versus a charge of \$0.3 million for uninsured losses for the three months ended March 31, 1999.

*Income Tax Provision.* The income tax provision for the three months ended March 31, 2000 was \$0.5 million, resulting in an effective tax rate of 44.0%, while for the three months ended March 31, 1999 the income tax provision was \$20,000, resulting in an effective tax rate of 60.6%. The differences between the effective tax rates for these periods and the statutory U.S. Federal income tax rate relate primarily to non-reciprocal tax benefits on foreign losses.

*Net Income.* Net income for the three months ended March 31, 2000 increased \$0.7 million to \$0.7 million from \$13,000 for the three months ended March 31, 1999.

#### *1999 versus 1998*

*Net Revenue.* Net revenue for 1999 decreased \$21.5 million, or 19.0%, to \$91.9 million from \$113.4 million for 1998. The decrease was principally attributable to a sharp decline in oil prices that resulted in a decrease in worldwide drilling activities, particularly in the Gulf of Mexico.

*Completion Fluids Revenue.* Revenue for completion fluids and related activities for 1999 decreased \$16.8 million, or 24.9%, to \$50.6 million from \$67.4 million for 1998. The decrease was attributable to decreases in our customers' rig activity and general price declines in the industry, which were particularly severe in the Gulf of Mexico, Latin America and the North Sea.

*Completion Services Revenue.* Revenue for completion services for 1999 decreased \$7.6 million, or 22.8%, to \$25.7 million from \$33.3 million for 1998. This decrease was primarily attributable to lower rig activity levels. Rig activity levels in the Gulf of Mexico decreased by approximately 17% for 1999 as compared to 1998. This decrease led to general price declines in the completion services industry.

*Downhole Completion Tools Revenue.* Revenue for downhole completion tools for 1999 increased by \$3.1 million, or 24.6%, to \$15.7 million from \$12.6 million for 1998. This increase in revenue was driven by market penetration primarily attributable to the successful introduction of several new products. This revenue increase was achieved despite decreases in our customers' rig activity and general industry price declines.

*Cost of Sales.* Cost of sales for 1999 decreased \$14.2 million, or 16.0%, to \$74.6 million from \$88.8 million from 1998. However, as a percentage of revenue, cost of sales increased to 81.2% for 1999 versus 78.3% for 1998. This increase was mainly due to deeper price discounts for products and services, partially offset by a \$3.4 million reduction in our workforce and related costs.

*Selling, Administrative and Research Expense.* Selling, administrative and research expense decreased \$1.1 million, or 5.7%, to \$18.2 million for 1999 compared to \$19.3 million for 1998. The decrease was mainly due to our response to lower industry activity. Selling, administrative and research expense increased as a percentage of net revenues primarily due to lower net revenues as a result of the sharp decline in oil prices combined with the fixed nature of a portion of these expenses.

*Amortization of Intangibles.* Amortization of intangibles increased \$62,000 to \$432,000 for 1999 compared to \$370,000 for 1998. The increase reflects a full year of goodwill and other intangibles associated with the acquisition of Cain Oil Tools, Inc. in March 1998.

*Special Charges.* Special charges were \$13.4 million in 1998. The components of the charge include asset impairments of \$5.4 million, write-down of the carrying value of an asset to be disposed of by \$2.5 million, severance costs of \$0.3 million, lease costs of \$4.4 million and other related charges of \$0.8 million. In 1999, due to changing market conditions and a recognition of the need to ensure a reliable source of supply of calcium chloride, a decision was made to continue using the calcium chloride production facility for the foreseeable future. This decision resulted in a change to the 1998 repositioning plan such that the calcium chloride production facility would not be sold or abandoned. Based on that decision, a special charge credit of \$2.5 million was recognized as a result of the upward adjustment of the carrying value of an asset held for disposal which was written down in 1998. The amount of depreciation suspended on the facility in 1999 was approximately \$0.2 million. In addition, the remaining credit related to the reversal of \$0.1 million of severance costs was taken as a 1998 special charge. We anticipate annual aggregate cost savings from the repositioning plan, which was fully implemented in early 1999, to be approximately \$7.6 million. In addition, we believe the reserve balance of \$1.9 million at December 31, 1999 represents its remaining cash obligations which are to be paid through April 2001. Additional information regarding the special charges is provided in Note 4 to the consolidated financial statements.

*Operating Income.* As a result of the foregoing, operating income increased \$9.7 million to \$1.3 million for 1999 compared to (\$8.4) million for 1998. Operating income from completion fluids, completion services and downhole completion tools was \$5.0 million, \$(0.7) million and \$0.6 million, respectively, for 1999.

*Interest Expense (Income), Net.* Net interest income was flat for the year ended December 31, 1999 compared to the prior year.

*Income Tax Provision (Benefit).* The income tax provision for 1999 was \$1.3 million, resulting in an effective tax rate of 61.0%, while in 1998 the income tax benefit was (\$1.9) million, resulting in an effective tax rate of (22.0%). The differences between the effective tax rates for these periods and the statutory U.S. federal income tax rate relate primarily to non-reciprocal tax benefits on foreign losses.

*Net Income.* Net income for 1999 increased \$7.7 million to \$0.8 million from \$(6.9) million for 1998.

### *1998 versus 1997*

*Net Revenue.* Net revenue for 1998 increased \$0.7 million, or 0.6%, to \$113.4 million from \$112.7 million for 1997. The slight increase in revenue despite decreased rig activity was principally attributable to increased market share in completion services partially offset by increased competition and flat sales in our downhole completion tool business.

*Completion Fluids Revenue.* Revenue for completion fluids and related activities for 1998 decreased \$14.6 million, or 17.8%, to \$67.4 million from \$82.0 million for 1997. This decrease in revenue was the result of increased competition and resulting pricing pressure in the wholesale business. In response, we shifted our focus from lower margin wholesale business to higher margin retail business. This shift resulted in a decrease in total volume sold. In addition, completion fluids revenue, beginning in mid-1998, was impacted by a general downturn in industry activity from 1997, which was particularly severe in Latin America and the North Sea.

*Completion Services Revenue.* Revenue for completion services for 1998 increased \$15.7 million, or 89.2%, to \$33.3 million from \$17.6 million for 1997. This increase was attributable to market share growth due to the addition of capacity in this product line.

*Downhole Completion Tools Revenue.* Revenue for downhole completion tools for 1998 decreased by \$0.3 million, or 2.3%, to \$12.6 million from \$12.9 million for 1997. This decrease was primarily attributable to price declines that were largely offset by market share growth and \$1.8 million of revenue generated by Cain Oil Tools, Inc., which we acquired in March 1998.

*Cost of Sales.* Cost of sales for 1998 increased \$10.8 million, or 13.8%, to \$88.8 million from \$78.0 million for 1997. As a percentage of revenue, cost of sales increased to 78.3% for 1998 versus 69.2% for 1997. This increase was attributable to deeper discounts for products and services in 1998 and increases in depreciation of \$1.6 million and employee-related costs of \$4.7 million.

*Selling, Administrative and Research Expense.* Selling, administrative and research expense increased \$2.8 million, or 17.0%, to \$19.3 million for 1998 compared to \$16.5 million for 1997. The increase was due to an increase in employee-related costs primarily related to increased employment cost as we added technical sales representatives and R&D engineers to meet increased customer requirements. The increase in headcount coupled with revenue that was less than anticipated increased our selling, administrative and research expense from 14.6% of net revenue in 1997 to 17.0% of net revenue in 1998.

*Amortization of Intangibles.* Amortization of intangibles increased \$119,000 to \$370,000 for 1998 compared to \$251,000 for 1997. The increase resulted from goodwill and other intangibles associated with the acquisition of Cain Oil Tools, Inc. in March 1998.

*Special Charges.* We incurred special charges of \$13.4 million in 1998, as previously discussed. There were no special charges in 1997.

*Operating Income.* As a result of the foregoing, operating income decreased \$26.3 million, to (\$8.4) million for 1998 compared to \$17.9 million for 1997. Operating income from completion fluids, completion services and downhole completion tools was \$1.0 million, \$(2.9) million and \$(3.2) million, respectively, for 1998.

*Interest Expense (Income), Net.* Net interest income for 1998 was relatively flat as compared to the prior year.

*Other Expense (Income), Net.* Other expense was \$538,000 for 1998 as compared to \$(16,000) in 1997. This increase was principally attributable to increased foreign currency translation expense.

*Income Tax Provision (Benefit).* As a result of the decrease to income before income taxes, income tax provision decreased \$8.6 million, to (\$1.9) million for 1998 compared to \$6.7 million for 1997.

*Net Income.* Net income for 1998 decreased \$18.3 million, to (\$6.9) million from \$11.4 million for 1997.

### **Liquidity and Capital Resources**

Our primary uses for cash are working capital, capital expenditures and acquisitions. Historically, our cash sources have been cash provided by operations and cash provided by intercompany borrowings from Great Lakes. To the extent our future cash requirements exceed the cash provided by operations, we will fund those requirements through debt or equity financing activities. As of March 31, 2000, we had cash and working capital of \$13.6 million and \$(19.9) million, respectively. The working capital deficit on March 31, 2000 reflects a \$65.0 million dividend note payable to Great Lakes that we expect to repay with the proceeds of this offering. As of March 31, 2000, after giving effect to this offering and related transactions, we would have had cash and working capital of \$6.0 million and \$36.3 million, respectively.

Net cash provided by operating activities for 1997, 1998 and 1999 and the three months ended March 31, 1999 and 2000 was \$17.4 million, \$28.1 million, \$8.1 million, \$1.5 million and \$10.6 million, respectively. Net cash used in investing activities for 1997, 1998 and 1999 and the three months ended March 31, 1999 and 2000 was \$18.7 million, \$27.8 million, \$6.0 million, \$2.4 million and \$0.5 million, respectively. Our primary use of funds in 1997, 1998, 1999 and the three months ended March 31, 1999 and 2000 was for the acquisition of property and equipment which required the use of approximately \$18.9 million, \$24.1 million, \$5.9 million, \$3.5 million and \$0.9 million of cash, respectively.

At or about the time of this offering, we anticipate that we will enter into a revolving credit facility. The revolving credit facility is expected to bear interest at a floating rate and provide for up to \$40.0 million of borrowings in the United States, subject to borrowing base limitations. At the time we enter into the revolving credit facility, we expect that borrowings under the revolving credit facility will total \$31.0 million. The proceeds from those borrowings will be used to repay indebtedness owed to Great Lakes. Borrowings under the revolving credit facility are expected to mature in 2003. The revolving credit facility will be guaranteed by Great Lakes, so long as Great Lakes maintains a controlling interest in our company. We will pay Great Lakes an annual fee equal to 0.15% of the committed amount under the revolving credit facility for this guarantee.

We estimate that cash generated from operations through 2000 will be sufficient to meet our cash operating requirements during that time, including but not limited to planned capital expenditures and material commitments under our operating leases. Our capital expenditures are primarily for replacement and maintenance of existing property and equipment and the acquisition of other equipment we use in our business. At this time, we believe the significant investments in capital equipment that we have made in the past are sufficient to support growth through 2002. We expect total capital expenditures in 2000 to be approximately \$3.8 million. Our minimum lease obligations under noncancelable leases for 2000 are approximately \$9.4 million. For more information about our lease obligations, see note 9 to our consolidated financial statements.

If we should decide to pursue one or more acquisition opportunities during 2000, our ability to finance any such acquisitions will be a critical element of our analysis. Prior to the completion of a distribution of our common stock to Great Lakes stockholders, we have agreed to limit the amount of equity we may issue, or debt we may incur, which may make it more difficult to pursue strategic acquisitions. For more information, see “Our Relationship With Great Lakes—Arrangements With Great Lakes—IPO and Distribution Agreement.” We may require additional equity or debt financing to meet our working capital requirements or to fund our research and development activities. There can be no assurance that additional financing will be available when required or, if available, that it will be on terms satisfactory to us.

### **Foreign Currency Exchange Rate Risk**

A portion of our revenue and operating expenses are denominated in foreign currencies. As a result, we are subject to foreign exchange risks that could adversely affect our operations. To the extent that we incur

expenses in U.S. dollars but earn revenue in foreign currencies, any decrease in the values of those foreign currencies relative to the U.S. dollar could cause our profit margins to decline or could cause our products to be less competitive against those of foreign competitors.

We do not intend to comprehensively hedge our exposure to currency rate changes, although we may choose to selectively hedge certain working capital balances, firm commitments, cash returns from subsidiaries and affiliates and/or tax payments. There can be no assurance these efforts will be successful. At March 31, 2000, we had no open foreign currency hedged positions. The effect of loss (gain) on translation for 1997, 1998 and 1999 and the three months ended March 31, 1999 and 2000 were \$(30,000), \$523,000, \$580,000, \$23,000 and \$70,000, respectively.

### **Tax Matters**

As a result of this offering, we will not be able to combine the results of our operations with those of Great Lakes in reporting income for U.S. federal, non-U.S., and most state income tax purposes. We believe this will not have a material adverse effect on our net income. At the time we are no longer included in Great Lakes' consolidated U.S. federal income tax return, we may become exposed to having our U.S. tax liability computed under the U.S. federal alternative minimum tax. Such a computation could have a material adverse effect on the year-to-year timing of our cash flow.

### **Inflation**

The impact of inflation on our business has not been material during the periods presented.

### **Recently Issued Accounting Pronouncements**

Effective January 1, 1999, we adopted the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This accounting standard specifically defines the criteria under which costs incurred in connection with internal-use computer software projects are to be treated as a current period expense or to be capitalized. Adoption of SOP 98-1 increased 1999 operating costs by approximately \$70,000.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement, as amended by SFAS No. 137, will be effective for us beginning with the first quarter of 2001. The Statement requires companies to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge ineffectiveness, the amount by which the change in the value of a hedge does not exactly offset the change in the value of the hedged item, will be immediately recognized in earnings. We are evaluating the new statement's provisions and have not yet determined the impact of adoption on the results of operations or financial position.

### **Impact of Year 2000**

In late 1999, we completed our remediation and testing relating to the Year 2000 computer issue. As a result of those efforts, we experienced no significant disruptions in mission critical information technology and non-information technology systems and believe those systems successfully responded to the Year 2000 date change. We expensed approximately \$228,000 during 1999 in connection with remediating our systems. We are not aware of any material problems resulting from Year 2000 issues, either with our products, our internal systems, or the products and services of third parties. We will continue to monitor our mission critical computer applications and those of our suppliers and vendors throughout the year 2000 to ensure that any latent Year 2000 problems that may arise are addressed promptly.

## BUSINESS

### Our Company

Founded in 1979, OSCA provides specialized oil and gas well completion fluids, completion services and downhole completion tools to major oil companies and independent exploration and production companies, primarily in the Gulf of Mexico and in select international markets. Well completion activities are conducted after drilling and prepare the well to begin production. Our products and services are focused on providing quality well completions which is critical in optimizing the recovery of oil and gas. Our products and services are primarily used in offshore environments, including deepwater, where we have demonstrated the ability to service technically challenging projects in harsh environments. Our equipment and technology are also regularly adapted for onshore use. In 1999, we generated total revenue of \$91.9 million.

Our products and services provide the following benefits:

- lengthening well life by controlling the migration of indigenous sand into the well, which damages downhole and surface production equipment and causes the reservoir to degrade prematurely;
- increasing well productivity by minimizing reservoir damage during the completion phase of the well installation process and by repairing reservoir damage incurred during the drilling phase;
- increasing well flow rates by creating fractures in the reservoir and packing the fractures with gravel to prevent the migration of sand into the well, a process which the industry refers to as frac packing; and
- enhancing well productivity by chemically stimulating the reservoir, allowing faster production and, potentially, increasing the total recovery of oil and gas.

We pioneered the use of high density clear brines for non-damaging completion and workover fluids applications, adding related fluid maintenance services to our product offerings in 1980. Throughout the 1980s and early 1990s, we continued to expand our product and service offerings by entering the sand control and pressure pumping segments and the downhole gravel pack tool market by acquiring the assets of Completion Services, Inc. in July 1993 from its individual shareholders for total cash consideration of \$4.0 million. In 1997, we expanded the geographical markets in which we operate by engaging in marine well stimulation services and coiled tubing in the Gulf of Mexico. In March 1998, we augmented our line of downhole completion tools through the acquisition of Cain Oil Tools, Inc. from its individual shareholders for total cash consideration, including repayment of debt, of \$3.3 million. Through our acquisition of Cain Oil Tools, we were able to expand our tool offerings beyond downhole gravel pack tools. In addition, this acquisition gave us the ability to manufacture our own tools, as opposed to assembling our tools from parts purchased from third party suppliers. Continuing to find better ways to serve our customers, we completed construction of our downhole tools test facility and began operations at the C-Port I loading facility in Fourchon, Louisiana in 1999. We were incorporated in Delaware in 1979.

### Our Strategy

Our products and services are focused on value enhancing completion activities that allow our customers to optimize the recovery of oil and gas. Our strategy for future growth is to improve our market position by:

- *Focusing on Optimizing Reservoir Productivity.* We focus all of our technology and service offerings on optimizing reservoir productivity, primarily through the completion of the well. We believe this focused strategy enables us to be more responsive to our customers' needs, thus allowing us to compete effectively against larger and more diversified companies.
- *Targeting Deepwater Activity.* The deepwater Gulf of Mexico is currently one of the world's most attractive exploration and development areas due to its large reserve potential. We believe that the number of deepwater development wells in the Gulf of Mexico will grow at a rate greater than that of shallow water wells. Deepwater development wells generate significantly more revenue per well due to their high completion fluid volume requirements and technically demanding nature. We have pioneered technologies that enable our customers to operate in this harsh environment. We believe our deepwater

expertise will enable us to continue to increase our market share and capitalize on growth opportunities in the deepwater Gulf of Mexico and to expand into international deepwater markets such as Brazil and West Africa.

- *Developing Leading Completion Technologies.* We work closely with our customers to deliver specialized completion solutions thereby strengthening our competitive position. We intend to continue to invest in research and development to provide innovative, cost-effective completion solutions tailored to customer-specific operating environments. A principal benefit of our technologically advanced products is that they assist us in promoting the sale of associated products and services.
- *Pursuing Strategic Acquisitions.* We have made several strategic acquisitions that complement our product and service offerings and expand our geographic presence. Our current strategy is to acquire advanced completion technologies and related products and services that will enhance our competitive position. While we continually evaluate strategic acquisition opportunities, we currently have no agreements in place regarding future acquisitions.

## Industry Overview

Demand for well completion services is driven primarily by:

- the levels of exploration and development activity for oil and gas in response to worldwide demand;
- the rate of discovery of new oil and gas fields;
- the changing production profiles of existing fields, including deterioration of production rates due to reservoir degradation and depletion;
- the level of drilling activity, specifically in our case the level of offshore drilling activity; and
- the characteristics of the reservoir which dictate the type of completion that is required.

Generally, oil and gas companies reduce exploration and development activity during periods of weak oil prices and increase this activity during periods of strong oil prices. The extent to which the revenue of our industry increases also depends upon the success of the exploration and production efforts. In general, these revenue increases lag expansion of exploration and development capital budgets in times of recovery in the oil and gas industry. These lag times can be up to several quarters for offshore operations but are generally shorter for onshore operations.

Well completion activity has historically been closely correlated with the count of active drilling rigs. However, in certain periods when drilling rig day rates are low, such as the second half of 1999, oil and gas companies may utilize relatively inexpensive drilling rigs to drill wells which they leave uncompleted until periods of higher commodity prices. As these wells are brought into production, demand for our services could exceed the historical correlation between drilling rig count and completions activity.

Drilling activity is largely dependent on the prices of oil and gas. Oil service activity, in turn, is primarily driven by the number of oil and gas wells being drilled, the depth and drilling conditions of such wells, the number of well completions and the level of workover activity worldwide. This relationship was particularly evident during 1998 when oil prices fell below \$11 per barrel. The price decline resulted in the lowest worldwide oilfield drilling activity levels in recent history. However, a recent recovery in oil prices to above \$20 per barrel has led to a recovery in North American drilling activity during the last half of 1999.

Due to “aging” oilfields and lower-cost sources of oil internationally, drilling activity in the United States has declined more than 75% from its peak in 1981. Record low drilling activity levels were experienced in 1986, 1992 and again in early 1999. The U.S. drilling activity temporarily rebounded during 1997, exceeding 1,000 active rigs for the first time since 1991; however, it subsequently retracted due to weak oil prices. Although drilling activity had begun to recover somewhat during the second half of 1999, the U.S. average active rig count for 1999 represented the lowest in recent history and was down substantially from the average levels of both 1997 and 1998.



The decline in natural gas related drilling activity in the Gulf of Mexico over recent periods was not as severe as the decline in oil related drilling activity in the region. Natural gas related activity in the Gulf of Mexico has also begun to recover more quickly than oil related activity.

Due to low oil prices, international drilling activity also reached record low levels during 1999 as each of our international regions experienced activity declines. Most international regions are not expected to recover until the middle of 2000.

The demand for products and services in our industry is impacted by changing production profiles in existing fields. Additionally, many new oil and gas fields exhibit reservoir characteristics that require more complex completion and stimulation services. In addition, natural gas wells are generally higher pressured and require higher weight, higher cost completion fluids which result in gas wells being more profitable to us than oil wells.

## **Products and Services**

Our products and services, which are available separately or as integrated systems, are offered through our three business segments.

### ***Completion Fluids***

We sell and recycle clear completion fluids and perform related fluid maintenance activities, such as filtration and reclamation. Completion fluids are used to control well pressure and facilitate other completion activities, while minimizing reservoir damage. We provide standardized completion fluids as well as a broad line of specially formulated and customized completion fluids for high demand wells. Completion fluids represented \$50.6 million, or 55.1%, of our net revenue in 1999. For more financial information about our completion fluids business segment, see note 14 to our consolidated financial statements.

Completion fluids are clear brines of metallic salts, such as sodium, potassium and calcium chloride; sodium, calcium and zinc bromide; and sodium and potassium formate. All are available either as pure salt solutions or as combinations of these solutions for increased flexibility and greater cost-effectiveness. These fluids are solids-free, and therefore will not physically plug oil and gas reservoirs. In contrast, drilling mud, the fluid typically used during drilling and for some well completions, contains solids to achieve densities greater than water. These solids plug the reservoir, causing reservoir damage and restricting the flow of oil and gas into the well. When completion fluids are placed into a well, they typically become contaminated with solids that are left in the well after drilling mud is displaced. To remove these contaminants, we deploy filtering equipment and technicians that work in conjunction with our on-site fluid engineers to maintain the solids-free condition of the completion fluids throughout the project. We provide an entire range of completion fluids, as well as all support services needed to properly apply completion fluids in the field, including filtration, on-site engineering, additives and rental equipment.

We were one of the first companies to use high density clear fluids as non-damaging alternatives to solids-laden drilling mud for completion activities. We supply a full line of clear brine completion fluids and additives, with densities ranging from 8.4 to over 22.5 pounds per gallon. This range is important because each reservoir exhibits unique pressure characteristics and therefore requires completion fluids of appropriate density to control wellbore pressure. We provide high performance fluids and related services for initial completion and remedial well activities, commonly known as workovers.

### ***The C-Port 1 Loading Facility***

We are the exclusive on-site supplier of completion fluids at the C-Port 1 loading facility at Port Fourchon, Louisiana. This facility primarily services customers in the deepwater Gulf of Mexico, which we

believe is the most active deepwater region in the world. This nine-slip loading facility, which allows for simultaneous loading of fuel, completion fluids, supplies and water, saves exploration and production companies substantial time as compared to other loading facilities where each item must be loaded individually. This time savings is critical when drilling costs to these companies can be as much as \$200,000 per day.

We own and operate a fluids distribution plant on property leased at C-Port 1. Our distribution plant represents an innovation in the preparation and delivery of completion fluids to our customers. We are able to blend multiple fluids simultaneously, which enables us to service multiple customers. Our integrated fluid reclamation equipment allows us to recycle used fluids and prepare those fluids for reuse. Our on-site technical services lab optimizes fluid formulations consisting of new and recycled fluids in order to minimize costs and provide the most beneficial fluid blends to our customers. Our presence at the C-Port 1 facility has positioned us to supply completion fluids to the majority of the high profile projects in the Gulf of Mexico.

### *Completion Services*

We provide marine well services, pressure pumping and coiled tubing services to perform frac packing, gravel packing and well stimulation. These services, which are offered in conjunction with our downhole completion tools and completion fluids, are either delivered directly by one of our marine well service vessels or provided using portable skid-mounted equipment that is placed at the well location, on the rig or platform. Completion services represented \$25.7 million, or 27.9%, of our net revenue in 1999. For more financial information about our completion services business segment, see note 14 to our consolidated financial statements.

### *Marine Well Services*

Our marine well service vessels, the OSCA Challenger, the OSCA Discovery and the Elkhorn River, are helping to establish new industry standards for workboat-based well completion and stimulation services. These vessels are capable of operating in harsh deepwater environments and are among the most advanced service vessels in the world. Our marine well services group combines state-of-the-art engineering and highly-trained service personnel to provide sand control and well stimulation pressure pumping and completion fluid delivery services. Our vessels are specifically designed for enhanced safety and operating efficiency and feature dynamic positioning, which allows our vessels to maintain position without anchors through the use of onboard propulsion and satellite navigation systems. We believe our vessels have the highest sea-state readiness ratings in their class. Whether the customer is working in shallow or deep water, we believe that we can provide the most cost-effective, high performance well services in the marine environment.

These vessels are fitted with specifically designed equipment to improve operational efficiency and reduce logistical complexity and have the following features:

- computer controlled satellite navigation system;
- up to 10,500 pumping hydraulic horsepower/50 barrels per minute capability;
- on-board quality assessment and quality control lab;
- the ability to service five to ten wells per trip offshore; and
- the ability to work in up to 15 foot seas and 40 knot winds.

Our marine well service vessels are ideally suited for providing frac pack services. During frac packing, fluids are pumped into a well at pressures and flow rates high enough to create two opposing cracks from either side of the borehole in order to produce wide, conductive flow paths that penetrate deep into the oil and gas reservoir. Growing customer acceptance of frac packing technology has increased the market size for marine well services significantly since 1994.

### *Skid-Mounted Pressure Pumping Services*

Our portable, skid-mounted pressure pumping equipment performs sand control and well stimulation services for both land-based and offshore customers. Soft or sandy reservoirs create production problems that restrict hydrocarbon flow and could eventually lead to a complete loss of production. Sand control pressure pumping forces gravel and its carrier fluid into the soft or sandy reservoir to act as a filter, in conjunction with downhole completion tools, to control the migration of sand into the well. Oil and gas are then free to move through the gravel and into the well to be recovered. Well stimulation treatment consists of pumping chemicals into the reservoir to stimulate productivity. Our pressure pumping equipment is designed to be compact and versatile in order to meet customer requirements for a wide variety of well conditions.

### *Coiled Tubing*

Coiled tubing services involve the deployment of a continuous length of small diameter flexible steel pipe into wells to perform various applications and functions for use principally in well-servicing operations. Coiled tubing is used to convey tools that manipulate downhole equipment during the initial completion of the well, to apply chemicals during the production phase that stimulate a well to higher production rates and to convey fluids through the wellbore at a rate sufficient to remove sand and debris from the well. Recent improvements in coiled tubing reliability have led to expanded use of coiled tubing in completion and stimulation operations.

The principal advantages of employing coiled tubing include:

- avoiding well shut-down during workover operations, reducing the risk of reservoir damage;
- the ability to deploy and remove coiled tubing significantly faster than conventional drill pipe, which must be jointed and unjointed;
- the ability to direct fluids into a well with more precision, allowing for localized stimulation treatments, well cleanout, scale removal and paraffin removal;
- providing a conduit for the source of energy to power a downhole motor;
- faster manipulation of downhole completion tools; and
- the smaller size and mobility of a coiled tubing unit, which enhances access to remote or offshore fields.

### *Downhole Completion Tools*

We focus on designing, building and installing downhole completion tools that deploy gravel to control the migration of reservoir sand into the well and direct the flow of oil and gas into the production tubing. Downhole completion tools represented \$15.7 million, or 17.0%, of our net revenue in 1999. For more financial information about our downhole completion tools business segment, see note 14 to our consolidated financial statements.

Our downhole sand control tools are sold as complete systems. We customize these systems based on each well's particular characteristics, including downhole pressure, depth and diameter. Many wells produce from more than one reservoir simultaneously. Depending on the customer's preference, we have the ability to install tools that can either isolate one producing zone from another or integrate the production from multiple zones. Once the tools systems are designed and customized, each is inspected for quality assurance before it is delivered to the well location. Our field specialists, working with the rig crews, deploy our tools in the well during the completion process.

In addition to tools that are designed to control sand migration, we also provide downhole completion tools that are generally used in conventional completions in reservoirs that do not require sand control. These tools include production packers and other service tools that we can deliver through distribution networks located in key domestic markets and select international markets. This product line is primarily targeted toward the U.S. onshore market, although markets outside of the U.S., such as Latin America, are now providing opportunities for market expansion.

We currently employ 14 tool design engineers to design our advanced downhole completion tools. In addition, we employ 12 applications engineers that work with customers to customize downhole tool systems and generate written procedures that are specific to each well's parameters. We also employ 15 completion tool specialists to deploy our downhole completion tool systems in the field.

### **International Operations**

We operate in many of the major international oil and gas producing markets of Latin America and Europe. We generally provide products and services to our international customers through wholly owned foreign subsidiaries located in Venezuela, Brazil, Mexico, Scotland, Italy and Norway. We seek to operate in those markets where we can achieve and maintain a significant market share position and earn attractive returns on our investment. For example, in the first quarter of 2000, we were able to leverage our experience in the deepwater Gulf of Mexico to commence deepwater activities off the coast of Brazil. In the future, we anticipate expanding our international operations to include West Africa and Asia. Our international operations represented \$14.0 million, or 15.2%, of our net revenue in 1999. For more financial information on our international operations, see note 14 to our consolidated financial statements.

### **Customers and Marketing**

Our customers include major oil companies and international and domestic independent exploration and production companies, including foreign state-owned oil and gas enterprises. In 1999, British Borneo USA, Inc. accounted for 8.7% of our net revenue. In addition, our next 14 customers accounted for 47.0% of our net revenue. If we were to lose any of these customers, or if they were to reduce their orders for our products and services, and we were not able to replace them with new customer accounts, we would lose significant revenue and it could cause our stock price to decline. In 1998, 15 customers accounted for 42.1% of our net revenue.

We devote a considerable portion of our marketing time and effort to develop and maintain relationships with key customers. In some cases, we provide one or more of our engineers to work with customers at their locations. This cooperative effort promotes long-term relationships with customers who look to us for assistance with their demanding projects and schedules.

We market our oilfield products and services primarily through our direct sales force located in 10 sales offices throughout the world. We also use designated agents and distributors in nearly every major oil and gas producing region in the world. International markets we serve include the U.K. and Norwegian sectors of the North Sea, Mexico, Venezuela, Brazil, Italy, the Asia Pacific, the Middle East and North and West Africa.

### **Technology and New Product Development**

Our recent inventions and innovations in fluids technology include: InsulGel™ insulating packer fluids, which maintain heat in wells to reduce paraffin and hydrate problems, NoCal HTLC™, a non-corrosive packer fluid for severe environments, and the PAC-Valve™, a pressure actuated downhole control valve that can be activated from the surface as opposed to requiring mechanical activation using downhole well intervention equipment. Our technologically advanced products enable us to promote the sale of other related products and services.

Our main research and development facility in Lafayette, Louisiana is staffed with experts in completion and workover fluids and includes a complete fluid technical service lab. We believe activities conducted at this facility played a major role in establishing our completion fluids business worldwide. In April 1999, we completed construction of a downhole tool research facility in Houston, Texas. This facility provides for critical interaction with customers in the engineering, manufacturing and testing of tools. We measure the impact of different raw materials, operating conditions and design specifications in determining optimal tool configuration. Since our tools are often installed miles below the earth's surface, it is critical that potential design flaws be diagnosed and prevented prior to installation. In order to move technology from our research

and development facilities to the field, our applications engineering group works with sales, R&D, operations and customers to integrate our products and services into comprehensive well completion programs.

Our product development strategy is driven by a structured evaluation and screening process. Our selection process focuses on practical solutions to current and near-term customer problems. We involve our customers early in each development project to promote, maintain and assess their interest in the project. We screen projects for commercial viability and fund only those which we believe to be likely candidates for commercial success.

We have a policy of seeking patents on new products, processes or improvements when patent protection has a significant commercial benefit. We do not believe any individual patent is of material importance to our business as a whole or that the success of our business is dependent upon our patent portfolio.

## **Facilities**

We have operations worldwide including our corporate headquarters facilities in Lafayette, Louisiana. We have 10 sales offices, including three in the United States and seven in the international regions that we serve. Distribution and logistics are provided through 17 distribution sites, with nine in the United States and eight in key international locations. The facilities in Geismar, Louisiana and Mansfield, Texas are combined manufacturing and distribution sites.

### *C-Port 1—Port Fourchon, Louisiana*

We are the exclusive on-site supplier of completion fluids at the C-Port 1 loading facility at Port Fourchon, Louisiana. C-Port 1 is a state-of-the-art facility especially designed for the demands of deepwater wells. We own and operate a world-class fluid distribution plant on property that we lease under an agreement that expires in 2008.

### *Other Distribution Facilities*

Our U.S. distribution facilities are located in the Gulf Coast region, in close proximity to both product supplies and customer concentrations. We believe that our strategic locations make us one of the highest value suppliers in the Gulf of Mexico and in select international markets. Our fluids distribution facilities are staffed with experienced personnel and offer storage, blending and reclamation services for all completion fluid systems. Each plant is either owned or leased under agreements that expire between 2000 and 2008.

We operate distribution facilities in the following locations:

#### **Domestic**

- Cameron, Louisiana
- Port Fourchon, Louisiana
- Geismar, Louisiana\*
- Intracoastal City, Louisiana
- Lafayette, Louisiana
- Venice, Louisiana
- Aransas Pass, Texas
- Freeport, Texas\*
- Mansfield, Texas

#### **International**

- Anaco, Venezuela\*
- Cabimas, Venezuela
- Punta de Mata, Venezuela
- Aberdeen, Scotland
- Peterhead, Scotland
- Macae, Brazil
- Ravenna, Italy
- Tanager, Norway
- Paraiso, Mexico

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\* facilities owned by OSCA

### *Manufacturing Plant—Geismar, Louisiana*

We operate a calcium chloride manufacturing plant with nine employees in Geismar, Louisiana. This facility neutralizes hydrochloric acid with calcium carbonate, generating industrial strength, technical grade and food grade calcium chloride. The plant's capacity is 720,000 barrels per year, supplying 100% of our domestic oilfield needs and part of our international requirements. Additionally, the Geismar facility distributes calcium chloride to industrial and food industry customers throughout the United States.

### *Oil Tools Facility—Mansfield, Texas*

This 37,000 square foot facility houses manufacturing for our downhole completion tools and a significant portion of our sand control tools. The facility employs 31 people, including machinists, quality control personnel and sales and support. In addition, this facility supports and distributes a full line of mechanical and hydraulic set packer equipment to supply the non-sand control completion and workover markets. We lease this facility under an agreement that expires on January 1, 2003.

Total rent expense incurred in 1999 for our leased facilities was approximately \$1.2 million. For more information about our lease obligations, see note 9 to our consolidated financial statements.

## **Competition**

Our principal competitors in completion fluids are Baroid Corporation, a subsidiary of Halliburton Company; M-I LLC, a joint venture of Smith International, Inc. and Schlumberger Limited; Ambar, Inc.; and Tetra Technologies, Inc. Our principal competitors in pressure pumping services and sand control tools are Halliburton Energy Services, a division of Halliburton Company; Schlumberger Limited; Baker Hughes Incorporated; and BJ Services Company. We believe that the three principal bases of competition in our industry are service record, reputation and pricing.

## **Suppliers**

In the past, we have purchased nearly all of the brominated chemicals we require to support our completion fluids business from Great Lakes. In connection with this offering, we will enter into a brominated products supply agreement with Great Lakes. Under this agreement, Great Lakes has committed to provide us with all or substantially all of our requirements for brominated products, subject to a cap. We have committed to purchase at least 80% of our requirements for these products, subject to a minimum. The price will be determined based on Great Lakes' cost plus a margin; however, during contract years three, four and five and beyond, if we are able to negotiate a lower price from a third party supplier, Great Lakes must either meet that price or release us from 40%, 60% and 100%, respectively, of our annual requirements. For more information, see "Our Relationship With Great Lakes—Arrangements With Great Lakes—Brominated Products Supply Agreement." Other principal materials utilized in the sand control pressure pumping business include frac pack gravel and various acids and chemical additives. Generally, these items are available from several suppliers, and we utilize more than one supplier for each item.

## **Employees**

At March 31, 2000, we had a total of 393 employees, 335 of which were based in the United States. None of our employees are covered by collective bargaining agreements. We believe that our relationships with our employees are good.

## **Operating Hazards and Insurance**

Our operations are subject to the risks inherent in manufacturing products, providing services in the oil and gas industry, storing, handling and transporting hazardous substances in bulk and operating in the marine

environment. These risks include personal injury and loss of life, business interruptions, loss of production, property and equipment damage, and contamination of and damage to the environment. Damages arising from an occurrence at locations where we presently or have in the past operated may result in the assertion of potentially large claims against us or the imposition of other obligations of significant cost.

We maintain a comprehensive insurance package covering our assets and operations, including product liability and workers' compensation insurance, at levels that we believe to be appropriate. This insurance is subject to deductibles, significant amounts of self-insurance retention per occurrence and some exclusions to coverage.

### **Environmental Matters**

We are subject to federal, state and local environmental and occupational safety and health laws and regulations in the United States and other countries in which we do business. These regulations govern, among other things, the storage, handling and transportation of hazardous materials in connection with our vessel and manufacturing operations and our well completion services. These laws include the U.S. Comprehensive Environmental Response, Compensation and Liability Act, also known as the "Superfund" law, and the U.S. Oil Pollution Act, both of which impose liability without regard to fault on anyone who has contributed to the release of hazardous substances or oil into the environment.

Through the routine course of providing our services, we handle, store and transport bulk quantities of hazardous materials. Accordingly, if leaks or spills of hazardous materials occur from our facilities, vessels or otherwise in connection with our operations, we may be responsible under applicable environmental laws for the costs of investigating and remediating any resulting contamination of, or damage to, the environment. We have implemented and continue to implement various procedures to assure compliance with environmental regulations, including procedures for the handling and disposal of hazardous materials, which are designed to minimize the occurrence of spills or leaks of these materials. Under the direction of the State of Louisiana Department of Environmental Quality, we are investigating a release of zinc bromide solution, which is used in our operations, from one of our facilities that occurred in July 1998. Because the matter is still under review by the State of Louisiana, we cannot yet determine what corrective action, if any, may be required.

### **Legal Proceedings**

We are a party to various routine legal proceedings. These primarily involve commercial claims, products liability claims, personal injury claims and workers' compensation claims. We cannot predict the outcome of these lawsuits, legal proceedings and claims with certainty. Nevertheless, we believe that the outcome of all of these proceedings, even if determined adversely, would not have a material adverse effect on our business or financial condition.

## MANAGEMENT

### Directors, Executive Officers and Key Employees of OSCA

Set forth below is information concerning the executive officers and key employees of our company and the individuals who are serving on our board of directors. Our board of directors currently has eight members. Four of our directors, Mark P. Bulriss, Martin M. Hale, Mack G. Nichols and Mark E. Tomkins, are currently executive officers and/or directors of Great Lakes. Messrs. Bulriss and Tomkins have advised us that they will resign from our board should Great Lakes decide to complete a divestiture of our common stock.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert L. Hollier	57	President, Chief Executive Officer and Director
Richard J. Alario	45	Executive Vice President
Steven J. Brading	48	Vice President and Chief Financial Officer
Donald H. Michel	48	Senior Vice President—Western Hemisphere Operations
Michael W. Landry	52	Vice President—Completion Fluids
James H. Tycer	51	Vice President—Completion Services
Arthur B. Carroll	47	Vice President—Industry Relations
Kenneth R. Simpkins	46	Vice President—Research and Development
Bruce C. Leininger	50	Vice President—Human Resources
Mark P. Bulriss	48	Chairman of the Board
Martin M. Hale	59	Director
Mack G. Nichols	61	Director
Richard A. Pattarozzi	56	Director
W. Bernard Pieper	67	Director
Mark E. Tomkins	44	Director
John L. Whitmire	59	Director

*Robert L. Hollier* has served as our President and Chief Executive Officer since August 1979. Prior to founding OSCA, he served as vice president and chief operating officer of Gulf Coast Drilling Fluids, Inc. from 1970 to 1979. Prior to his tenure at Gulf Coast, Mr. Hollier was employed by the Amoco Production Company from 1963 to 1970.

*Richard J. Alario* has been our Executive Vice President since May 1999. Since joining OSCA in 1981, Mr. Alario has managed numerous business units and functions, including sales and marketing and international operations. Prior to joining OSCA, Mr. Alario was employed by Ashland Chemical Company from 1978 to 1981. Mr. Alario is a director of the National Ocean Industries Association.

*Steven J. Brading* joined OSCA in May 1999 as our Vice President and Chief Financial Officer. From 1993 to 1999, Mr. Brading was employed by the Camco Products and Services division of Camco International, Inc., most recently as vice president of finance and information systems. Prior to 1993, Mr. Brading was employed by LTV Corporation as the controller of its drilling equipment division. Mr. Brading is a certified public accountant.

*Donald H. Michel* is our Senior Vice President—Western Hemisphere Operations. Mr. Michel rejoined our company in April 1999. Mr. Michel originally joined OSCA as a vice president in 1986 and was employed by OSCA until 1996. From 1996 until 1998, Mr. Michel was part owner of Wesco Well Screens, a downhole tool manufacturing company. From 1998 until April 1999, Mr. Michel was president and part owner of Oilfield Manufacturing, Inc., also a downhole tools manufacturing company.



*Michael W. Landry* has been our Vice President—Completion Fluids since May 1999. Mr. Landry joined OSCA in 1980 and has served in various capacities, including completion fluids engineer, operations manager, manager/manufacturing and maintenance, human resources manager and service line manager/completion fluids. Prior to joining OSCA, Mr. Landry was a drilling mud engineer for GH Fluid Services.

*James H. Tyser* has been our Vice President—Completion Services at OSCA since March 1998. Prior to joining OSCA in 1996, Mr. Tyser held numerous positions with BJ Services from 1981 to 1996, most recently as Gulf Coast regional manager of coiled tubing and nitrogen services for BJ Services/NOWSCO.

*Arthur B. Carroll* has been our Vice President—Industry Relations since 1998. Prior to joining OSCA in 1994, Mr. Carroll served in various capacities at OHM Corporation from 1984 to 1994, most recently as a district manager in charge of environmental remediation services. From 1979 to 1984, Mr. Carroll held the positions of vice president of operations and vice president of sales for Geo Vann Sand Control.

*Kenneth R. Simpkins* has been our Vice President—Research and Development since June 1994. Prior to joining OSCA, Mr. Simpkins was employed by Schlumberger Well Services, a subsidiary of Schlumberger Limited, from 1977 to 1994. While at Schlumberger Well Services, Mr. Simpkins served in various capacities, including general field engineer, sales engineer and a district manager.

*Bruce C. Leininger* has been our Vice President—Human Resources since November 1999. Prior to joining OSCA, Mr. Leininger served as the vice president of human resources at Belco Energy Corp., a subsidiary of Belco Oil & Gas Corp., from 1998 to 1999. From 1996 to 1998, Mr. Leininger was vice president of human resources operations for Ikon Office Solutions. From 1994 to 1996, Mr. Leininger was a human resources consultant for Napa Valley Solutions.

*Mark P. Bulriss* is the Chief Executive Officer and President of Great Lakes Chemical Corporation and was recently named Chairman of the Board of Great Lakes effective May 2000. He has been one of our directors since February 2000. Mr. Bulriss joined Great Lakes in April 1998 from AlliedSignal, Inc., where he was president of the Polymers Division since 1996. He joined AlliedSignal in 1993 as president of the Laminates business unit, and became president of the Electronic Materials Division in 1995. Prior to joining AlliedSignal, Mr. Bulriss spent 16 years with GE Plastics.

*Martin M. Hale* has been one of our directors since February 2000. Until December 1999, Mr. Hale was executive vice president and a director of Hellman Jordan Management Co., Inc., a registered investment advisor specializing in asset management and a subsidiary of United Asset Management Corporation. Prior to 1983, Mr. Hale was the president and chief executive officer of Marsh & McLennan Asset Management Corporation. Mr. Hale also serves as a director of Great Lakes Chemical Corporation and Octel Corp., a former subsidiary of Great Lakes which was spun off in 1998.

*Mack G. Nichols* has been one of our directors since February 2000. Mr. Nichols, prior to his retirement, was president and chief operating officer and a director of Mallinckrodt Inc., a diversified chemical and healthcare company from 1995 to 1998. Mr. Nichols served as the president and chief executive officer of Mallinckrodt Specialty Chemical Company, a wholly-owned subsidiary of Mallinckrodt Inc., from 1989 to 1995. He is currently a director of Great Lakes Chemical Corporation and has served as a director of A.P. Green Industries, Inc., the National Association of Manufacturers and the Chemical Manufacturers Association.

*Richard A. Pattarozzi* has been one of our directors since April 2000. Mr. Pattarozzi was the president and chief executive officer of Shell Deepwater Development Co. and Shell Deepwater Production Co. from 1995 to 1999. From March 1999 until his retirement on January 1, 2000, Mr. Pattarozzi served as vice president of Shell Offshore Inc. He currently serves as a director of R & B Falcon Corp., a worldwide oil drilling contractor, and Stone Energy Corporation, an independent oil and gas exploration company.

*W. Bernard Pieper* has been one of our directors since April 2000. Mr. Pieper served as vice chairman and chief operating officer of Halliburton Company from 1994 until his retirement in 1996. Mr. Pieper has served as a director of Highlands Insurance Group, Inc., a property and casualty insurance business, since 1996.

*Mark E. Tomkins* is the Senior Vice President and Chief Financial Officer of Great Lakes Chemical Corporation and has been one of our directors since February 2000. Mr. Tomkins joined Great Lakes in August 1998 from AlliedSignal, Inc., where he was vice president of finance and business development of the Polymers Division since 1996. He held the same position with AlliedSignal's Electronic Materials Division in 1996. Prior to joining AlliedSignal, Mr. Tomkins held various corporate and operating finance positions with Monsanto Company.

*John L. Whitmire* has been one of our directors since April 2000. Mr. Whitmire was chairman of the board and chief executive officer of Union Texas Petroleum Holdings, Inc. from 1996 until 1998 when Union Texas Petroleum Holdings was acquired by Atlantic Richfield Company. Before joining Union Texas Petroleum Holdings, Mr. Whitmire served in various capacities for more than 30 years with Phillips Petroleum Company, including executive vice president—exploration and production and as a director from 1994 to 1996. Mr. Whitmire has served as chairman of the board for CONSOL Energy Inc. and CONSOL Inc. since March 1999. In addition, Mr. Whitmire is a director of the National Audubon Society, Thermon Industries and Global Marine, Inc.

### **Committees of the Board of Directors**

We intend to have two standing committees: an audit committee and a compensation committee. The audit committee will select, subject to shareholders' approval, the independent public accountants to audit our annual financial statements and will establish the scope of, and oversee, the annual audit. The compensation committee will determine the compensation for employee directors and, after receiving and considering the recommendation of our chief executive officer, all of our officers and any other employee that the compensation committee may designate from time to time. The compensation committee will also approve and administer employee benefit plans.

The audit committee and the compensation committee will each consist of three directors who meet all requirements imposed by SEC rules and regulations or rules and regulations of any exchange or trading system on which our securities are listed. The audit committee will be composed of three independent directors, each of whom will be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and statement of cash flows. In addition, at least one member of the audit committee will have had past employment experience in accounting or finance, including a current or past position as a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The initial members of the audit committee will be Messrs. Hale, Pattarozzi, Pieper and Whitmire. In keeping with NASDAQ listing requirements, our board of directors will adopt a charter for our audit committee. We will file this charter at least once every three years as an appendix to the annual proxy statement that we will file with the SEC. We expect that, so long as Great Lakes owns a majority of our outstanding common stock, the majority of the members of the compensation committee will be directors who are also directors of Great Lakes.

Our board may establish other committees from time to time to facilitate the management of the business and affairs of our company.

### **Compensation Committee Interlocks and Insider Participation**

We currently do not have a compensation committee. The historical compensation arrangements for Robert Hollier were established by the compensation committee of Great Lakes' board of directors. The historical compensation arrangements for all of our other executive officers were established by Robert Hollier in accordance with Great Lakes' compensation policies. On a going forward basis, any changes in the compensation arrangements of our executive officers will be determined by the compensation committee of our board of directors.

## Compensation of Directors

Directors who are also employees of Great Lakes or OSCA will receive no remuneration for serving as directors, committee chairpersons or committee members. Non-employee directors will receive compensation of \$20,000 per year and meeting fees of \$1,000 per meeting. Non-employee directors will receive an additional fee of \$2,000 per year for serving as chairperson of a board committee. Non-employee directors will also receive an initial grant of options to purchase a number of shares of Class A common stock to be determined at the consummation of this offering with an exercise price equal to the initial public offering price or the fair market value on the date of grant. Such options will be granted under our 2000 Stock Compensation Plan and will vest ratably over a three year period. All directors will be reimbursed for their out-of-pocket expenses incurred in connection with serving on our board.

## Stock Ownership of Directors and Executive Officers

All of our stock is currently owned by Great Lakes and thus none of our officers or directors own any of our common stock. To the extent directors and officers of OSCA own shares of Great Lakes common stock at the time of a distribution of our common stock to Great Lakes stockholders, if any, they will participate in the distribution on the same terms as other holders of Great Lakes common stock.

The following table sets forth the number of shares of Great Lakes common stock and currently exercisable options to purchase such stock beneficially owned on December 31, 1999 by each director and each of the executive officers named in the summary compensation table in the “—Executive Compensation” section below, and all directors and executive officers of OSCA as a group. Except as otherwise noted, the individual director or executive officer or his family members had sole voting and investment power with respect to the identified securities.

<u>Name and Address</u>	<u>Shares Beneficially Owned</u>	
	<u>Great Lakes Common Stock</u>	
	<u>Number of</u>	<u>Percentage of</u>
	<u>Shares(1)</u>	<u>Class</u>
<b>Directors and Executive Officers:</b>		
Mark P. Bulriss . . . . .	402,571	*
Mark E. Tomkins . . . . .	13,687	*
Robert L. Hollier . . . . .	84,479	*
Martin M. Hale . . . . .	219,074	*
Mack G. Nichols . . . . .	2,600	*
Richard J. Alario . . . . .	10,858	*
James H. Tycer . . . . .	1,963	*
All directors and executive officers of OSCA as a group (7 persons) . . . . .	735,232	*

\* Less than one percent.

(1) Includes options exercisable within 60 days of the date shown.

## Executive Compensation

The following table sets forth compensation information for the chief executive officer and our two other executive officers whose total annual salary and bonus exceeded \$100,000 for 1999. All information set forth in this table reflects compensation earned by the named individuals for services with us and our subsidiaries.

**Summary Compensation Table**

Name and Position	Fiscal Year	Annual Compensation			Long-Term Compensation Awards	
		Salary	Bonus	Other Annual Compensation (1)	Securities Underlying Options	All Other Compensation (2)
Robert L. Hollier . . . . .	1999	\$276,578	\$46,000	—	12,500	\$14,629
	1998	273,825	33,200	—	14,319	8,042
	1997	264,981	38,000	—	10,000	9,121
Richard J. Alario . . . . .	1999	142,034	—	—	2,500	10,616
James H. Tycer . . . . .	1999	103,385	—	—	2,000	7,778

- (1) None of the perquisites and other benefits paid to each named executive officer exceeded the lesser of \$50,000 or 10% of the total annual salary and bonus received by each named executive officer.
- (2) These amounts represent (i) employer matching contributions made under Great Lakes' 401(k) and Supplemental Savings Plan and (ii) contributions by OSCA on behalf of the named executive officer to the OSCA Profit Sharing Plan.

Mr. Hollier's bonus amounts were determined under Great Lakes' incentive compensation plan, which provides incentive compensation in the form of cash bonuses to executive officers, managers and other selected key employees who have a broad impact on performance. Under the plan, participants are eligible to receive annual incentive awards equivalent to approximately 7.5% to 75% of base salary based upon each executive's level of responsibility and the attainment of pre-established goals. The majority of Mr. Hollier's award was tied to the attainment of performance objectives for OSCA.

As a separate company, we will establish executive compensation practices that will link compensation with our performance as well as the price of our common stock. We expect a significant portion of the executive's long-term incentive pay to be linked to the performance of our common stock through the grant of stock options. We will continually review our executive compensation programs to ensure they are competitive with those generally prevailing in its industry.

## Grants of Great Lakes Stock Options

The following table shows all grants of options to acquire shares of Great Lakes common stock granted to the executive officers named in the summary compensation table in the "—Executive Compensation" section above under the Great Lakes 1998 Stock Compensation Plan for 1999. All options to purchase Great Lakes common stock held by our employees will continue in accordance with the plans under which they were granted. At the time Great Lakes ceases to own 50% of the voting power of our common stock, all OSCA employees will be treated as terminated employees under Great Lakes' stock compensation plans and their unexercised options will be canceled after 90 days.

Name	Number of Securities Underlying Options Granted (1)	% of Total Options Granted in Fiscal Year	Exercise or Base Price (\$/Share) (2)	Market Price on Date of Grant	Expiration Date	Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Term (3)	
						5% (\$)	10%(\$)
Robert L. Hollier . . . . .	12,500	1.69%	\$35.75	\$35.75	2/14/09	\$281,000	\$712,250
Richard J. Alario . . . . .	2,500	0.34%	35.75	35.75	2/14/09	56,200	142,450
James H. Tycer . . . . .	2,000	0.27%	35.75	35.75	2/14/09	44,960	113,960

- (1) Each option has a term of ten years and is exercisable in cumulative 33% installments commencing one year from the date of grant with full vesting occurring on the third anniversary of the date of the grant.
- (2) The exercise price for each grant made under Great Lakes' option plans is equal to the closing market price of Great Lakes common stock on the day prior to such option grant.
- (3) Amounts reflect assumed rates of appreciation set forth in the executive compensation disclosure rules of the SEC. Actual gains, if any, on stock option exercises depend on the future performance of Great Lakes common stock and overall market conditions. At an annual rate of appreciation of 5% per year for the option term, the price of Great Lakes common stock would be approximately \$58.23 per share. At an annual rate of appreciation of 10% per year for the option term, the price of Great Lakes common stock would be approximately \$92.73 per share.

## Exercises of Stock Options

The following table shows aggregate exercises of options to purchase Great Lakes common stock in 1999 by the executive officers named in the summary compensation table in the “—Executive Compensation” section above.

Name	Shares Acquired on Exercise	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year End	Value of Unexercised In-the-Money Options at Fiscal Year End (\$) (1)
			Unexercisable/ Exercisable	Unexercisable/ Exercisable
Robert L. Hollier . . . . .	—	\$ —	25,864/70,544	\$38,284/34,627
Richard J. Alario . . . . .	1,271	32,890	4,715/8,253	5,490/6,843
James H. Tycer . . . . .	—	—	3,069/534	249/5,374

- (1) Based on the market price of Great Lakes common stock at December 31, 1999.

## Change in Control Agreements

Prior to the consummation of this offering, we will enter into change in control agreements with Messrs. Hollier, Alario, Tycer and Brading. Under these agreements, OSCA or its successor would make a lump sum severance payment to Mr. Hollier, Alario or Brading, as applicable, in an amount equal to two times, in the case of Messrs. Hollier, Alario and Brading, or one time, in the case of Mr. Tycer, his base salary in the event that his employment with OSCA is terminated without cause or he resigns for good reason within one year of a change in control of OSCA. In addition, Mr. Hollier has entered into a change in control agreement with Great Lakes, which provides that Mr. Hollier would receive a lump sum payment equal to three times his base salary in the event that his employment with OSCA is terminated without cause or he resigns for good reason within one year of a change in control of Great Lakes. For purposes of these agreements between us and the executive officers named above and our 2000 Stock Compensation Plan described below, a “change in control” means the following:

- any unrelated person is or becomes the “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of OSCA securities representing more than 20% of the combined voting power of our then outstanding securities, other than securities acquired directly from us;
- a merger or consolidation with or into any other corporation, other than
  - (1) a merger or consolidation which results in our directors immediately prior to such merger or consolidation continuing to constitute at least a majority of our board of directors or the board of the surviving entity or its parent, or
  - (2) a merger or consolidation effected to implement a recapitalization of OSCA or similar transaction in which no unrelated person is or becomes the beneficial owner, directly or indirectly, of OSCA

securities representing 20% or more of the combined voting power of our then outstanding securities, other than securities acquired directly from us;

- our stockholders approve any plan or proposal for our liquidation or dissolution or the consummation of a sale or disposition of all or substantially all our assets, other than a sale or disposition to a related entity; or
- if, at the end of any two year period, our board does not consist of at least a majority of directors who were either directors at the beginning of that two year period or whose appointment, election or nomination to the board was approved by a vote of at least two-thirds of the directors then in office.

For purposes of the change in control agreements and the 2000 Stock Incentive Plan, where a change in control results from a series of related transactions, the change in control will be deemed to have occurred on the date of the consummation of the first related transaction. These change in control provisions will not be triggered by a distribution of our common stock to Great Lakes stockholders.

Notwithstanding any other provision of the change in control agreements or the 2000 Stock Incentive Plan, as applicable, a change in control will not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of our common stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of our assets immediately following this transaction or series of transactions.

### **Stock Compensation Plan**

Prior to the consummation of this offering, Great Lakes, as our sole shareholder, and our board of directors is expected to approve our 2000 Stock Compensation Plan. The stock plan will be administered by the compensation committee. Individuals who are executive officers, key employees or non-employee directors will be eligible to participate in the stock plan. The compensation committee will be authorized to select participants and determine the terms and conditions of the awards under the stock plan. The stock plan provides for the issuance of stock options or other stock-based awards, including awards determined in accordance with our 2000 Incentive Compensation Plan described below. An aggregate of 1,000,000 shares of our Class A common stock will be reserved for issuance under the stock plan, subject to certain adjustments reflecting changes in our capitalization. The stock plan provides that each participant will be limited to receiving awards relating to no more than 150,000 shares of Class A common stock per year.

Options granted under the stock plan may be either incentive stock options or such other forms of non-qualified stock options as the compensation committee may determine. Incentive stock options are intended to qualify as “incentive stock options” within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and will be subject to the various limitations imposed by Section 422 of the Internal Revenue Code.

Options granted under the stock plan may be subject to time vesting and other restrictions at the sole discretion of the compensation committee. All options will vest upon a change in control as defined above under “Change in Control Agreements.”

Our board of directors generally will have the power and authority to amend the stock plan at any time without shareholder approval, subject to applicable federal securities and tax laws limitations, including regulations of the Nasdaq National Market. Under the rules of the Nasdaq National Market, however, material amendments to the stock plan would require shareholder approval.

### **Incentive Compensation Plan**

Prior to the consummation of this offering, our board of directors is expected to approve our 2000 Incentive Compensation Plan. The incentive compensation plan will provide for cash and restricted stock

awards based on our financial performance as a company and each individual's performance, as determined by the compensation committee in its sole discretion. Target incentive awards under the incentive compensation plan are expected to range from 7.5% to 60% of a participant's base salary, depending on the participant's level of responsibility. Awards are expected to be based 75% on our overall profitability and 25% on individual achievement. We expect the awards to consist primarily of cash, however, if we exceed our profitability target by more than 200%, the award component based on profitability above the 200% level may be paid in shares of restricted stock. Those restricted share awards will be issued under the stock incentive plan and will be subject to the various terms and conditions of that plan.

## OUR RELATIONSHIP WITH GREAT LAKES

We are currently a wholly-owned subsidiary of Great Lakes. After the completion of this offering of Class A common stock, Great Lakes will own about 60.0% of the outstanding shares of our common stock, or about 56.6% if the underwriters exercise their over-allotment option in full. Great Lakes will own 100% of the outstanding Class B common stock, which will represent 93.8% of the combined voting power of all classes of voting stock of OSCA, or 92.9% of the combined voting power of all classes of voting stock of OSCA if the underwriters exercise their over-allotment option in full. Until Great Lakes holds less than 50% of the voting power of our stock, Great Lakes will be able to control the vote on all matters submitted to stockholders, including the election of directors and the approval of extraordinary corporate transactions, such as mergers.

Great Lakes has not made any decision regarding whether or for how long it will retain its stock ownership in our company. At present, Great Lakes has no plan or intention to dispose of its shares of our Class B common stock. Whether Great Lakes completes a divestiture of our common stock, and how such a divestiture would occur, will depend on a variety of considerations and economic factors, including the market prices of our and Great Lakes' common stock, the business prospects for each entity, the ability to divest our stock on a tax-free basis and the availability of other strategic alternatives.

If Great Lakes decides to complete a divestiture of our common stock, Great Lakes may do so by distributing its Class B common stock to Great Lakes stockholders, a process that we refer to as a "distribution." A distribution could be accomplished through one of the following:

- *Split-Off*—an exchange offer by Great Lakes in which holders of its common stock would be offered the option of tendering some or all of their shares in exchange for shares of our common stock; or
- *Spin-Off*—a pro rata distribution by Great Lakes of its shares of our common stock to holders of its common stock; or
- *Combined Split-Off/Spin-Off*—some combination of the above transactions.

Great Lakes is free to divest its shares of our Class B common stock through means other than a distribution to Great Lakes stockholders. Great Lakes has the sole discretion to determine the timing, structure and all terms of any divestiture. Great Lakes has also advised us that it would not complete a divestiture if its board of directors determines that a divestiture is not in the best interests of Great Lakes and its stockholders. Great Lakes has further advised us that it currently expects that the principal factors that it would consider in making this determination, as well as the principal factors that it would consider in making the determination as to the timing, structure and terms of a divestiture, would be:

- the market price of our Class A common stock;
- the market price of Great Lakes' common stock;
- satisfaction that a divestiture by means of a distribution to Great Lakes stockholders would be tax-free to Great Lakes and its stockholders and as to the other tax consequences of the transactions;
- other conditions affecting our business or the business of Great Lakes; and
- the availability of other strategic alternatives.

If Great Lakes decides to pursue a divestiture, we believe that we will realize benefits from this offering and a divestiture. We believe that our separation from Great Lakes will:

- create an organizational structure through which we will have better access to capital markets;
- permit us to adopt aggressive investment and acquisition programs;
- allow us to offer incentives to our employees that are more closely linked to our market performance; and
- allow us to focus on our core business strengths as an independent company, rather than as part of a multinational specialty chemicals company.



## Arrangements With Great Lakes

The terms of our separation from Great Lakes and many of the transactions being undertaken in connection therewith are governed by a master separation agreement, which we refer to as the “Separation Agreement,” and a number of additional agreements described below. These other agreements include agreements relating to this offering and a distribution to Great Lakes stockholders, the registration of Great Lakes’ remaining shares of Class B common stock, the provision of transitional services by Great Lakes, the supply of brominated chemicals by Great Lakes and the tax treatment of our possible separation from Great Lakes. All of the agreements providing for our separation from Great Lakes were made in the context of parent-subsidary relationship and were negotiated in the overall context of our separation from Great Lakes. The terms of these agreements may be more or less favorable to us than if they had been negotiated with unaffiliated third parties.

**We have set forth below a summary description of the Separation Agreement and the additional agreements described above. This description, which summarizes the material terms of these agreements, does not purport to be complete and is qualified in its entirety by reference to the full text of these agreements. These agreements, including the Separation Agreement, the IPO and Distribution Agreement, the Registration Rights Agreement, the Services Agreement, the Brominated Products Supply Agreement and the Tax Disaffiliation Agreement, have been filed with the SEC as exhibits to the registration statement of which this prospectus is a part.**

### *Separation Agreement*

We have historically been operated as a wholly owned subsidiary of Great Lakes. We have directly owned most of our assets with the exception of some of our current European subsidiaries that were transferred to us in contemplation of our separation from Great Lakes. The Separation Agreement sets forth our arrangements with Great Lakes with respect to any additional corporate transactions that may be required to effect the transfer of any remaining assets and the assumption of any remaining liabilities necessary to separate our company from Great Lakes.

We have assumed, and indemnified Great Lakes for, all liabilities and all claims related to our business and Great Lakes has retained, and will indemnify us for, all liabilities and all claims related to its business. In addition, Great Lakes has agreed to indemnify us for all liabilities related to our former environmental remediation services business in Mexico and our participation in a joint venture formed to provide services associated with pipeline commissioning and infrastructure support services primarily in the Gulf of Mexico. In exchange for this indemnity, we have agreed that Great Lakes will be entitled to all rights and beneficial interests and all tangible and intangible assets relating to these businesses. We have agreed to cooperate with each other in the defense of any and all claims covered by these provisions of the Separation Agreement.

The Separation Agreement also allocates responsibility and liability for many employee related matters. Among other things, it provides that we will establish our own employee benefit plans before January 1, 2001, which generally will be the same as Great Lakes’ employee benefit plans. Some Great Lakes’ 401(k) Plan assets will be transferred from trusts associated with Great Lakes’ 401(k) Plan to the corresponding trusts for our 401(k) Plan.

The Separation Agreement also contains provisions that govern the resolution of disputes, controversies or claims that may arise between us and Great Lakes. The Separation Agreement provides that the parties will use all commercially reasonable efforts to settle all disputes arising in connection with the Separation Agreement without resorting to mediation, arbitration or otherwise. If these efforts are unsuccessful, any party may submit the dispute for non-binding mediation by delivering notice to the other party of the dispute and expressly requesting mediation. If, after mediation, the parties disagree regarding the mediator’s recommendation, the dispute will be submitted to binding arbitration in accordance with the terms of the Separation Agreement.

### ***IPO and Distribution Agreement***

*General.* We will enter into an Initial Public Offering and Distribution Agreement, which we refer to as the “IPO and Distribution Agreement,” with Great Lakes which governs our respective rights and duties with respect to this offering and a distribution to Great Lakes stockholders, if any, and contains covenants designed to facilitate a distribution and to protect its intended tax-free nature. However, we cannot assure you as to whether or when a distribution will occur. See “Risk Factors—We will be controlled by Great Lakes unless it divests its Class B shares, and our other stockholders will be unable to affect the outcome of stockholder voting during that time.”

*The Distribution.* If Great Lakes decides to pursue a distribution to Great Lakes stockholders, we have agreed that we will cooperate with Great Lakes in all respects to accomplish a distribution and, at Great Lakes’ direction, promptly take all actions necessary or desirable to effect a distribution to Great Lakes stockholders, including the registration under the Securities Act of 1933, as amended, of Great Lakes’ shares of our capital stock. Great Lakes has the sole discretion to determine whether to proceed with all or part of a distribution to Great Lakes stockholders and all terms of that distribution, including the form, structure and terms of any transaction(s) and/or offering(s) to effect a distribution and the timing of and conditions to the consummation of a distribution.

*Preservation of the Tax-free Status of a Distribution.* If Great Lakes decides to pursue a distribution to Great Lakes stockholders, Great Lakes would intend for a distribution to qualify as a tax-free distribution under Section 355 of the tax code to Great Lakes and its stockholders. We have agreed to covenants in the IPO and Distribution Agreement that are intended to preserve the tax-free status of a distribution to Great Lakes stockholders. We may take any action otherwise prohibited by these covenants only if Great Lakes has determined, in its sole and absolute discretion, that the action would not jeopardize the tax-free status of a distribution. See “—Cooperation on Tax Matters.” Some of these covenants are described in greater detail below:

- *Stock Issuance.* Prior to the completion of a distribution to Great Lakes stockholders, we have agreed not to issue or agree to issue shares of our capital stock in an amount that would result in Great Lakes ceasing to own an amount of our capital stock which constitutes “control” for purposes of Section 368(c) of the tax code or any successor statute or provision, as such definition may be amended from time to time. This covenant will not prohibit us from issuing stock options and restricted stock awards to our employees so long as we repurchase sufficient shares of our capital stock prior to the date when such options and awards become exercisable to ensure that Great Lakes’ continues to have control of us and Great Lakes approves of our procedures in connection with these repurchases.
- *Acquisition Transactions.* Until two years after the completion of a distribution to Great Lakes stockholders, or, if Great Lakes determines not to complete a distribution, the last date on which Great Lakes distributed any OSCA common stock in connection with a distribution, we have agreed not to enter into or permit any transaction or series of transactions which would result in a person or persons acquiring or having the right to acquire shares of our capital stock that would comprise 50% or more of either the value of all outstanding shares of our capital stock or the total combined voting power of our outstanding voting stock.
- *Continuation of Active Trade or Business.* Until two years after the completion of a distribution to Great Lakes stockholders, or, if Great Lakes determines not to complete a distribution, the last date on which Great Lakes distributed any OSCA common stock in connection with a distribution, we have agreed to continue to conduct the active trade or business, within the meaning of Section 355 of the tax code, of our company as we conducted it immediately prior to the completion of a distribution. During such time, we have agreed not to:
  - liquidate, dispose of or otherwise discontinue any portion of our active trade or business with a value in excess of \$25 million; or
  - dispose of any business or assets that would cause us to be operated in a manner inconsistent in any material respect with the business purposes for a distribution as described to the IRS or tax counsel.

Also, until two years after the completion of a distribution, we have agreed not to liquidate, dispose of, or otherwise discontinue the conduct of any portion of our active trade or business if such liquidation, disposition or discontinuance would breach the covenant described below regarding our continuity of business.

- *Continuity of Business.* Until two years after the completion of a distribution to Great Lakes stockholders, or, if Great Lakes determines not to complete a distribution, the last date on which Great Lakes distributed any OSCA common stock in connection with a distribution, we have agreed that:
  - we will not voluntarily dissolve or liquidate; and
  - except in the ordinary course of business, neither we nor any of our direct or indirect subsidiaries will sell, transfer, or otherwise dispose of or agree to dispose of assets, including any shares of capital stock of our subsidiaries, that, in the aggregate, constitute more than:
    - (x) 60% of our gross assets; or
    - (y) 60% of our consolidated gross assets and those of our subsidiaries.

For this purpose, we are not deemed to directly or indirectly control a subsidiary unless we own, directly or indirectly, shares constituting control for tax purposes.

- *Discharge of Intracompany Debt.* Prior to the first date on which Great Lakes distributes any of our common stock in connection with a distribution, we have agreed to fully discharge and satisfy all debt that we owe Great Lakes. For this purpose, debt does not include payables arising in the ordinary course of business. Until two years after the completion of a distribution, or, if Great Lakes determines not to complete a distribution, the last date on which Great Lakes distributed any OSCA common stock in connection with a distribution, we will not be able to have any indebtedness payable to Great Lakes.

In the event that Great Lakes notifies us that it no longer intends to proceed with or complete a distribution to Great Lakes stockholders and Great Lakes has not yet distributed any of its OSCA common stock, these covenants to preserve the tax-free status of a distribution will terminate.

*Cooperation on Tax Matters.* We and Great Lakes have agreed to procedures with respect to the tax-related covenants in the IPO and Distribution Agreement. We are required to notify Great Lakes if we desire to take any action prohibited by the tax-related covenants described above. Upon this notification, if Great Lakes determines that the proposed action might jeopardize the tax-free status of a distribution to Great Lakes stockholders, Great Lakes has agreed to elect either to:

- use all commercially reasonable efforts to obtain a private letter ruling from the IRS or a tax opinion that would permit us to take the desired action, and we have agreed to cooperate in connection with such efforts; or
- provide all reasonable cooperation to us in connection with our obtaining an IRS ruling or tax opinion.

In either case, Great Lakes has agreed to bear its reasonable costs and expenses of obtaining an IRS ruling or tax opinion.

In addition, in the event that Great Lakes, at any time prior to a distribution, ceases to own our common stock constituting control for tax purposes, we have agreed to cooperate and take (or refrain from taking) all actions reasonably requested by Great Lakes or necessary so as to permit Great Lakes to regain ownership of our common stock which constitutes control for tax purposes in a manner that would not jeopardize the tax-free status of the distribution.

*Indemnification for Tax Liabilities.* We have generally agreed to indemnify Great Lakes and its affiliates against any and all tax-related losses incurred by Great Lakes in connection with any proposed tax assessment or tax controversy with respect to a distribution to Great Lakes stockholders to the extent caused by any breach by us of any of our representations, warranties or covenants made in the IPO and Distribution Agreement. This indemnification does not apply to actions which Great Lakes permits us to take as a result of a determination under the tax-related covenants described above.

*Other OSCA Covenants.* After the offering, Great Lakes will continue to own a significant portion of our common stock. As a result, Great Lakes will continue to include us as a “subsidiary” for various financial reporting, accounting and other purposes. Accordingly, we have agreed to additional covenants in the IPO and Distribution Agreement. Some of these covenants are described below:

- *Covenants Regarding the Incurrence of Debt.* For so long as Great Lakes continues to own at least 50% of our outstanding common stock, the amount of our indebtedness for borrowed money will affect Great Lakes’ financial position. Thus, we have agreed to the following limitations on our ability to incur debt during that time:
  - we will not, without Great Lakes’ consent, incur indebtedness in excess of an aggregate \$40.0 million outstanding at any time;
  - we may, however, incur indebtedness in connection with an acquisition so long as the entity we are acquiring meets certain capital requirements and our indebtedness after giving effect to the transaction would not exceed \$50.0 million; and
  - we may not, without Great Lakes’ consent, consummate or agree to consummate any acquisition that does not meet our debt thresholds.
- *Other Covenants.* For so long as Great Lakes continues to own at least 50% of our outstanding common stock, we have agreed that:
  - we will not, without Great Lakes’ prior written consent, which it may withhold in its sole and absolute discretion, take any action which has the effect of limiting Great Lakes’ ability to freely sell, pledge or otherwise dispose of shares of our common stock or limiting the legal rights of or denying any benefit to Great Lakes as an OSCA stockholder in a manner not applicable to our stockholders generally;
  - we will not, without Great Lakes’ prior written consent, which it may withhold in its sole and absolute discretion, issue any shares of common stock or any rights, warrants or options to acquire our common stock, if after giving effect to such issuance, Great Lakes would own less than 50% of the then outstanding shares of our common stock; and
  - to the extent that Great Lakes is a party to, or enters into, any agreements that provide that actions of its subsidiaries may result in its being in breach or default under any agreement, and we have been advised of the existence of these agreements, we will not take any actions that may result in Great Lakes being in breach or default.
- *Financial Information.* We have agreed that, for so long as Great Lakes is required to consolidate our results of operations and financial position or account for its investment in our company, we will:
  - provide Great Lakes with financial information regarding our company and our subsidiaries;
  - provide Great Lakes copies of all quarterly and annual financial information and other reports and documents we intend to file with the SEC prior to such filings, as well as final copies upon filing;
  - provide Great Lakes with copies of our budgets and financial projections, as well as the opportunity to meet with our management to discuss such budgets and projections;
  - consult with Great Lakes regarding the timing and content of earnings releases; and
  - cooperate fully, and cause our accountants to cooperate fully, with Great Lakes in connection with any of its public filings.

This covenant is subject to provisions intended to protect the confidentiality commitments we have made to our customers.

- *Auditors and Audits; Annual Statements and Accounting.* We have agreed that, for so long as Great Lakes is required to consolidate our results of operations and financial position or account for its investment in our company under the equity method of accounting (in accordance with generally accepted accounting principles), we will:
  - not change our auditors without Great Lakes’ prior written consent, which will not be unreasonably withheld;

- use our best efforts to enable our auditors to complete their audit of our financial statements such that they will date their opinion the same date that they date their opinion on Great Lakes' financial statements;
- provide to Great Lakes and its auditors all information required for Great Lakes to meet its schedule for the filing and distribution of its financial statements;
- make available to Great Lakes and its auditors work papers related to the annual audit of our company as well as access to the personnel who perform the annual audit and our and our subsidiaries' books and records so that Great Lakes and its auditors may conduct reasonable audits relating to our financial statements;
- adhere to generally accepted accounting principles, applied in a manner consistent with Great Lakes;
- notify and consult with Great Lakes regarding any changes to our accounting principles;
- and make any changes to our accounting estimates and principles requested by Great Lakes.

We have generally agreed to indemnify Great Lakes and its affiliates against all liabilities arising out of any incorrect, inaccurate or incomplete financial or other information we provide to Great Lakes pursuant to the terms of the IPO and Distribution Agreement.

*Indemnification Relating to the Offering and a Distribution.* We have generally agreed to indemnify Great Lakes and its affiliates against all liabilities arising out of any material untrue statements and omissions in any and all registration statements, including this prospectus, information statements and/or other documents filed with the SEC in connection with a distribution. However, our indemnification obligations to Great Lakes do not apply to information relating to Great Lakes, excluding information relating to us. Great Lakes has agreed to indemnify us for this information.

*Expenses.* In general, unless otherwise provided for in the IPO and Distribution Agreement or any other agreement, we and Great Lakes will pay our own respective costs and expenses incurred in connection with the offering and a distribution to Great Lakes stockholders.

- *Expenses Relating to the Offering.* We will be responsible for the payment of all costs, fees and expenses relating to the offering, including, but not limited to, the payment of (a) the costs, fees and expenses of all of Great Lakes' financial, legal, accounting and other advisors incurred in connection with the offering and (b) any internal fees, costs and expenses incurred by Great Lakes or any Great Lakes affiliate in connection with the offering. Great Lakes will be entitled to any and all amounts received from the underwriters as reimbursement for any costs, fees and expenses relating to the offering. We will pay any underwriting discounts and commissions.
- *Expenses Relating to a Distribution.* Great Lakes will generally be responsible for the payment of all costs, fees and expenses relating to a distribution to Great Lakes stockholders; provided that we will be responsible for the payment of (a) the costs, fees and expenses of all of our financial, legal, accounting and other advisors incurred in connection with a distribution and (b) any internal fees, costs and expenses incurred by us or any of our affiliates in connection with a distribution.

### ***Registration Rights Agreement***

In the event that Great Lakes does not divest itself of all of its shares of our common stock in a distribution, Great Lakes could not freely sell all of its shares without registration under the Securities Act. Accordingly, we have entered into a Registration Rights Agreement with Great Lakes to provide it with registration rights relating to the shares of our common stock which it holds.

*Shares Covered.* The Registration Rights Agreement covers those shares of our common stock that are held by Great Lakes immediately following this offering and any other shares of our common stock that Great Lakes acquires thereafter.

*Demand Registrations.* Great Lakes may request registration, which we refer to as a “demand registration,” under the Securities Act of all or any portion of our shares that it owns covered by the Registration Rights Agreement and we will be obligated to register such shares as requested by Great Lakes.

- *Terms of Each Offering.* Great Lakes will designate the terms of each offering effected pursuant to a demand registration, which may take any form, including:
  - (1) an underwritten public offering;
  - (2) a shelf registration;
  - (3) a registration in connection with the distribution of, or exchange of or offer to exchange, shares of our common stock to holders of debt or equity securities of Great Lakes, any of its subsidiaries or affiliates or any other person; or
  - (4) a distribution in connection with the registration by Great Lakes or any of its subsidiaries or affiliates thereof of securities convertible into, exercisable for or otherwise related to such shares of our common stock.

Except for an offering described in clauses (3) and (4) above, each demand registration must meet a minimum aggregate expected offering price.

- *Timing of Demand Registrations.* We are not required to undertake a demand registration within 90 days of the effective date of a previous demand registration, other than a demand registration that was effected as a shelf registration. Also, we have the right to postpone the filing or effectiveness of any demand registration for up to 90 days if in the reasonable judgment of our legal counsel that the demand registration would reasonably be expected to have a material adverse effect on any existing proposal or plans by our company to engage in material transactions; provided, however, that we may exercise this right only once in any 12-month period.
- *Priority on Demand Registrations.* Other parties, including OSCA, can participate in any demand registration only if all of the securities Great Lakes proposes to include in such registration are so included.
- *Selection of Professionals.* Great Lakes will select the investment banker(s) and manager(s), subject to our reasonable objection in some circumstances, as well as any financial printer, solicitation and/or exchange agent and counsel for the offering. We will select our own outside counsel and independent auditors.

*Piggyback Registrations.* The Registration Rights Agreement also provides for “piggyback” registration rights for Great Lakes. Whenever we propose to register any of our securities under the Securities Act for ourselves or others, subject to customary exceptions, we must provide prompt notice to Great Lakes and include in such registration all shares of our stock which Great Lakes requests to be included, each of which we refer to as a “piggyback registration.”

- *Priority on Piggyback Registrations.* If a piggyback registration is being made on our behalf and the underwriters advise us that cutbacks are necessary, we must include in such registration:
  - first, the securities we propose to offer;
  - second, the securities requested to be included by Great Lakes; and
  - third, any other securities requested to be included in such registration.

If a piggyback registration is being made on behalf of other holders of our securities and the underwriters advise us that cutbacks are necessary, we must include in such registration:

- first, the securities requested to be included by the holders requesting such registration and the securities requested to be included by Great Lakes, pro rata among these holders and Great Lakes on the basis of the number of securities owned by each applicable holder; and
- second, any other securities requested to be included in such registration.

*Selection of Underwriters.* In many circumstances, Great Lakes has the right to reasonably object to our selection of any investment banker(s) and manager(s) in connection with a piggyback registration.

*Holdbacks.* The Registration Rights Agreement contains customary holdback provisions, including covenants by us not to effect a public sale or distribution of our securities during periods prior to and following the date of any registration statement filed in connection with a demand registration or a piggyback registration.

*Registration Procedures and Expenses.* The Registration Rights Agreement sets forth customary registration procedures, including a covenant by us to make available our senior management for road show presentations. We will be obligated to pay all registration expenses incurred in connection with the Registration Rights Agreement, including all filing fees, fees and expenses of compliance with securities and/or blue sky laws, financial printing expenses, fees and disbursements of custodians, transfer agents, exchange agents and/or information agents, as well as fees and disbursements of counsel for our company and the fees of all independent certified public accountants, underwriters, excluding discounts and commissions, and other persons retained by us. In addition, we must reimburse Great Lakes for the fees and disbursements of its outside counsel as well as out-of-pocket expenses incurred in connection with any such registration.

*Indemnification.* The Registration Rights Agreement contains customary indemnification and contribution provisions by us for the benefit of Great Lakes and any underwriters. Great Lakes has agreed to indemnify us and any underwriter solely with respect to information provided by Great Lakes.

*Transfer.* Great Lakes may transfer shares covered by the Registration Rights Agreement and the holders of such transferred shares will be entitled to the benefits of the Registration Rights Agreement; provided that each such transferee agrees to be bound by the terms of the Registration Rights Agreement. These transferees will be entitled to the rights available to Great Lakes described above; provided, however, that the holder or holders of a majority of the shares covered by the Registration Rights Agreement will be entitled to exercise these rights. Any successor entities to our company will be bound by the terms of the Registration Rights Agreement.

*Duration.* The registration rights under the Registration Rights Agreement will remain in effect with respect to any shares of our common stock until:

- the applicable shares have been sold pursuant to an effective registration statement under the Securities Act;
- the applicable shares have been sold to the public pursuant to Rule 144 under the Securities Act, or any successor provision;
- the applicable shares have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the company and subsequent public distribution of them shall not require registration of them under the Securities Act or any similar state law;
- the applicable shares have ceased to be outstanding; or
- in the case of shares held by a transferee of Great Lakes, when those shares become eligible for sale pursuant to Rule 144(k) under the Securities Act, or any successor provision.

#### ***Brominated Products Supply Agreement***

We will enter into the “Brominated Products Supply Agreement” which governs the arrangements by which Great Lakes will supply us with brominated products. The Brominated Products Supply Agreement has an initial term that expires on December 31, 2004, and is renewable for successive one year periods unless either party gives notice of its desire to terminate the agreement at least twelve months prior to any successive renewal term. Under this agreement, we are obligated to purchase from Great Lakes, and Great Lakes is obligated to supply us with, at least 80% of our annual requirements for these products, subject to a maximum amount which will vary depending upon our average purchases over the preceding three year period.

The contract price for brominated products will be determined based on Great Lakes' cost plus a margin.

Beginning in the third year of the agreement, if we receive a bona fide written offer for the same or similar products on the same or similar terms and conditions for a net price lower than the price under the agreement, Great Lakes is required to match this offer or release us from our obligations to purchase a maximum portion of our requirements as set forth below:

- For contract year three: 40% of our annual requirements.
- For contract year four: 60% of our annual requirements.
- For contract year five and for all years thereafter: 100% of our annual requirements.

Unless the release provisions described above apply, we are required to buy a minimum volume, regardless of our actual requirements.

### ***Tax Disaffiliation Agreement***

We will enter into a "Tax Disaffiliation Agreement" with Great Lakes which governs the allocation of federal, state, local and foreign tax liabilities and contains agreements with respect to other tax matters. The Tax Disaffiliation Agreement becomes effective at the time of the offering and sets forth the procedures for preparing and filing tax returns, paying tax liabilities, amending returns, tax audits and contests and record retention.

Under the Tax Disaffiliation Agreement, until we cease to be a member of the Great Lakes consolidated group for federal, state, local or foreign tax purposes Great Lakes generally will be responsible for preparing and filing, including any amendments thereto, the Great Lakes consolidated tax group's federal income tax return and consolidated or combined state and local tax returns, and Great Lakes will pay the taxes due with respect to such tax returns. For tax periods during which we are a member of the Great Lakes consolidated tax group, we will calculate our tax liability as if we were a separate affiliated group of corporations filing a consolidated return, but we will pay our calculated taxes to Great Lakes, which will then file the consolidated or combined return with the appropriate tax authorities. In connection with any applicable tax return, Great Lakes will have the exclusive right, in its sole discretion, to determine the manner in which that tax return will be prepared and filed, including the manner in which any item of gain, loss, deduction, credit or other attribute shall be reported, whether any extensions may be requested, the tax elections that will be made by us and our subsidiaries, whether any claims for refunds will be filed, and whether any refunds shall be used as credits against other taxes. There may be some U.S. state or local jurisdictions in which we will file a separate tax return for tax periods before tax deconsolidation. In that circumstance, we would file the income tax return with the appropriate tax authorities, and pay the tax directly to the tax authority.

We will prepare and file all tax returns and pay all taxes due with respect to all tax returns required to be filed by us for all tax periods after we cease to be a member of the Great Lakes consolidated tax group and for state, local and foreign jurisdictions in which our return is not combined or consolidated with Great Lakes's return. Without the prior written consent of Great Lakes, we may not amend any tax return for a period in which we were a member of the Great Lakes consolidated tax group. Some specified net operating losses, net capital losses, unused tax credits and other deductible or creditable tax attributes of ours or any of our subsidiaries, which we refer to as "tax attributes," may be relinquished by us under the Tax Disaffiliation Agreement. Other than those tax attributes required to be allocated to us under the appropriate federal, state, local, or foreign tax law, no tax attributes will be allocated to us on a carry-forward basis after the deconsolidation nor will any carryback attributes of ours be allowed to be utilized for a consolidated tax return period.

Great Lakes has the sole right to represent the interests of the Great Lakes consolidated tax group, including our company, in any tax audits, litigation or appeals that involve, directly or indirectly, periods prior to the time that we cease to be a member of the Great Lakes consolidated tax group, unless we are solely liable



for the taxes at issue and any redetermination of taxes would not result in any additional tax liability or detriment to any member of the Great Lakes consolidated tax group. In addition, we and Great Lakes have agreed to provide each other with the cooperation and information reasonably requested by the other in connection with tax planning, the preparation or filing of any tax return, the determination and payment of estimated tax and in the conduct any tax audits, litigation or appeals.

We and Great Lakes have agreed to indemnify each other for tax or other liabilities resulting from the failure to pay any taxes required to be paid under the Tax Disaffiliation Agreement, tax or other liabilities resulting from negligence in supplying inaccurate or incomplete information or the failure to cooperate with the preparation of any tax return or the conduct of any tax audits, litigation or appeals. The Tax Disaffiliation Agreement requires us to retain records, documents and other information necessary for the preparation of tax returns or for the audit thereof and to provide reasonable access to Great Lakes with respect to such records, documents and information.

### ***Services Agreement***

We will enter into a “Services Agreement” with Great Lakes, pursuant to which Great Lakes will furnish us with a number of transitional services. These services will generally be provided to us for an amount that is reasonably related to Great Lakes’ costs and will include, among other things:

- treasury and cash management;
- risk management;
- human resources and benefits administration support;
- purchasing; and
- legal assistance on an as-needed basis.

The Services Agreement will remain in force until the first to occur of:

- a distribution of our common stock to Great Lakes stockholders;
- a divestiture of our common stock by Great Lakes;
- the date on which our credit facility is no longer outstanding;
- our termination of all of the transitional services; or
- the termination of the Services Agreement by either us or Great Lakes because of an uncured default by either of us, declaration of the agreements invalidity under applicable law or force majeure.

## **PRINCIPAL STOCKHOLDER**

Prior to the offering of Class A common stock, all of the outstanding shares of our common stock will be owned by Great Lakes, a publicly held company that is listed on the New York Stock Exchange under the symbol “GLK.” At this time, none of our officers or directors own any shares of our common stock. After the offering, Great Lakes will own 8,400,000 shares of our Class B common stock representing 60.0% of the outstanding shares of our common stock, or about 56.6% if the underwriters exercise their over-allotment option in full. Great Lakes will own 100% of the outstanding Class B common stock, which will represent 93.8% of the combined voting power of all classes of voting stock of OSCA, or 92.9% of the combined voting power of all classes of voting stock of OSCA if the underwriters exercise their over-allotment option in full. Except for Great Lakes, we are not aware of any person or group that will beneficially own more than 5% of the outstanding shares of our common stock following the offering. The address of Great Lakes’ principal executive office is 500 East 96th Street, Suite 500, Indianapolis, Indiana 46240.

## **DESCRIPTION OF CAPITAL STOCK**

### **General**

At the time of the offering, the authorized capital stock of OSCA will consist of:

- 25,000,000 shares of Class A common stock, par value \$.01 per share,
- 40,000,000 shares of Class B common stock, par value \$.01 per share and
- 5,000,000 shares of preferred stock, par value \$.01 per share, none of which is outstanding as of the date hereof.

Of the authorized shares of Class A common stock, 5,600,000 shares are being offered hereby, or 6,440,000 shares if the underwriters exercise their over-allotment option in full. Of the 40,000,000 authorized shares of Class B common stock, 8,400,000 shares will be outstanding and held by Great Lakes or one or more of its affiliates on the closing date. The material terms and provisions of our certificate of incorporation affecting the relative rights of the Class A common stock, the Class B common stock and the preferred stock are described below. The following description of our capital stock is intended as a summary only and is qualified in its entirety by reference to the forms of our certificate of incorporation and by-laws filed with the registration statement of which this prospectus forms a part, and to the General Corporation Law of the State of Delaware.

### **Common Stock**

#### *Voting Rights*

The holders of Class A common stock and Class B common stock generally have identical rights, except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to ten votes per share. Holders of shares of Class A common stock and Class B common stock are not entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by the holders of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock. Except as otherwise provided by law or in our certificate of incorporation, amendments to our certificate of incorporation must be approved by a majority of the votes entitled to be cast by the holders of Class A common stock and Class B common stock, voting together as a single class. However, there is an exception for amendments to our certificate of incorporation that would alter or change the powers, preferences or special rights of the Class A common stock or the Class B common stock so as to affect them adversely. In that case, any amendments also must be approved by a majority of the votes entitled to be cast by the holders of the shares that would be adversely affected by the amendment voting as a separate class. Therefore, holders of Class A common stock are not entitled to vote on any alteration or change in the powers, preferences or special rights of the Class B

common stock that would not adversely affect the rights of holders of Class A common stock. For purposes of the foregoing provisions, any provision for the voluntary, mandatory and other conversion or exchange of the Class B common stock into or for Class A common stock on a one-for-one basis shall be deemed not to adversely affect the rights of the Class A common stock. Any amendment to our certificate of incorporation to increase the authorized shares of any class of our capital stock requires the approval only of a majority of the votes entitled to be cast by the holders of Class A common stock and Class B common stock, voting together as a single class.

#### *Dividends*

Subject to any preferential rights of outstanding preferred stock, holders of our common stock will share equally on a per share basis in any dividend declared by our board of directors. Dividends payable in shares of common stock may be paid only as follows:

- shares of Class A common stock may be paid only to holders of Class A common stock, and shares of Class B common stock may be paid only to holders of Class B common stock; and
- the number of shares so paid will be equal on a per share basis with respect to each outstanding share of Class A common stock and Class B common stock.

We may not reclassify, subdivide or combine shares of either class of common stock without at the same time proportionally reclassifying, subdividing or combining shares of the other class.

#### *Conversion*

Each share of Class B common stock is convertible while held by Great Lakes or any of its subsidiaries, excluding OSCA, at the option of the holder into one share of Class A common stock. Following any distribution of Class B common stock to securityholders of Great Lakes in a transaction, including any distribution intended to qualify as a tax-free distribution under Section 355 of the tax code, or any successor statute, shares of Class B common stock will no longer be convertible into shares of Class A common stock.

Prior to any tax-free distribution, any shares of Class B common stock transferred to a person other than Great Lakes or any of its affiliates, excluding OSCA, will automatically be converted into shares of Class A common stock. Shares of Class B common stock transferred to Great Lakes' stockholders in any tax-free distribution will not be converted into shares of Class A common stock. In addition, following any tax-free distribution, shares of Class B common stock will be transferable as Class B common stock, subject to applicable laws.

All shares of Class B common stock will automatically be converted into Class A common stock if:

- a tax-free distribution has not occurred and
- the number of outstanding shares of Class B common stock owned by Great Lakes, together with its subsidiaries, excluding OSCA, falls below 50% of the aggregate number of outstanding shares of our common stock.

This automatic conversion of Class B common stock into Class A common stock will prevent Great Lakes from decreasing its economic interest in us to less than 50% while still retaining control of more than 80% of the voting power for our capitalized stock. All conversions will be effected on a share-for-share basis.

#### *Other Rights*

In the event of a liquidation, dissolution or winding up of OSCA, all holders of our common stock, regardless of class, are entitled to share ratably in any assets available for distribution to holders of shares of common stock.

No shares of either class of common stock are subject to redemption or have preemptive rights to purchase additional shares of our common stock or other securities.

Upon the closing of the offering, all the outstanding shares of Class A common stock and Class B common stock will be validly issued, fully paid and nonassessable.

### **Preferred stock**

Our board of directors is empowered, without approval of our stockholders, to cause shares of preferred stock to be issued from time to time in one or more series and with the designations, preferences and other rights as shall be described in the applicable resolutions adopted by our board. Among the specific matters that may be determined by our board of directors are:

- the voting rights, if any, of each series;
- the rate of dividends, if any;
- whether dividends, if any, will be cumulative or noncumulative;
- the terms of redemption, if any;
- the rights of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of our company; and
- rights and terms of conversion or exchange, if any.

The board of directors may issue preferred stock with voting and other rights that could adversely affect the voting power of the holders of the common stock. In addition, an issuance of preferred stock could have anti-takeover effects. We have no present plans to issue any shares of preferred stock. The ability of our board of directors to issue preferred stock could have the effect of delaying, deferring or preventing a change in control of OSCA or the removal of existing management.

### **Anti-takeover Effects of Certificate and By-law Provisions**

#### *General*

Provisions of our certificate of incorporation and by-laws summarized below may have an anti-takeover effect and may delay, deter, or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including offers or attempts that might result in a premium being paid over the market price for the shares of common stock held by stockholders.

#### *Board of Directors*

The certificate of incorporation and by-laws provide that the board of directors will be divided into three classes of directors, with the classes to be nearly equal in number as possible. One class will be originally elected for a term expiring at the annual meeting of stockholders to be held in 2001. The second class will be originally elected for a term expiring at the annual meeting of stockholders to be held in 2002. The third class will be originally elected for a term expiring at the annual meeting of stockholders to be held in 2003. Each director is to hold office until his or her successor is duly elected and qualified. Commencing with the 2001 annual meeting of stockholders, directors elected to succeed directors whose terms then expire will be elected for a term which will expire at the third succeeding annual meeting of stockholders after their election. Each director will hold office until their successor is duly elected and qualified.

The certificate of incorporation and by-laws provide that the board of directors shall initially consist of eight members. The certificate of incorporation and by-laws further provide that the number of directors of OSCA shall be fixed from time to time exclusively by resolution adopted by the affirmative vote of a majority of the entire board of directors. However, the board shall consist of not more than fifteen nor less than six directors. In addition, the certificate of incorporation provides that any vacancies will be filled by the affirmative vote of a majority of the remaining directors, even if less than a quorum, or by a sole remaining director. If any vacancy to the board was caused by the action of stockholders, however, only our stockholders will be permitted to fill that vacancy.

The certificate of incorporation and the by-laws provide that, except as provided below, directors may be removed, with or without cause, by the affirmative vote of shares representing a majority of the votes entitled to be cast by the then outstanding shares of voting stock; provided, however, that during the period:

- beginning on the first date that Great Lakes, together with its subsidiaries, excluding OSCA, ceases to beneficially own shares representing 50% or more of the votes entitled to be cast by voting stock, which we refer to as the “First Trigger Date,” and
- ending on the first date that Great Lakes, together with its subsidiaries, excluding OSCA, ceases to beneficially own shares representing 30% or more of the votes entitled to be cast by voting stock, which we refer to as the “Second Trigger Date,”

directors may be removed, with or without cause, only by the affirmative vote of shares representing not less than 66⅔% of the votes entitled to be cast by voting stock. Notwithstanding the foregoing, from and after the Second Trigger Date, our directors may only be removed for cause. In addition, this removal may only be made by the affirmative vote of shares representing a majority of the votes entitled to be cast by voting stock. Unless the board of directors has made a determination that removal is in our best interests, in which case the following definition shall not apply, “cause” for removal of a director shall be deemed to exist only if:

- the director whose removal is proposed has been convicted, or when a director is granted immunity to testify when another has been convicted, of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal;
- that director has been found by the affirmative vote of a majority of the directors then in office at any regular or special meeting of the board of directors called for that purpose or by a court of competent jurisdiction to have been guilty of willful misconduct in the performance of his duties to OSCA in a matter of substantial importance to us; or
- that director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects his ability as a director.

Whenever holders of outstanding shares of one or more series of preferred stock are entitled to elect directors of OSCA pursuant to the provisions contained in the resolutions of the board of directors providing for the establishment of that series, however, any director of ours so elected may be removed in accordance with the provision of those resolutions.

The by-laws provide that:

- prior to the First Trigger Date, a majority of the directors on the compensation committee of the board of directors shall be directors designated by Great Lakes and
- on and after the First Trigger Date, but so long as Great Lakes owns shares representing 10% or more of the votes entitled to be cast by the voting stock, the compensation committee shall include at least one director designated by Great Lakes.

#### *Advance Notice Procedures*

The by-laws provide for an advance notice procedure for the nomination, other than by or at the direction of the board of directors, of candidates for election as directors, as well as for other stockholder proposals to be considered at annual meetings of stockholders. In general, notice of intent to nominate a director or raise matters at these meetings will have to be received in writing by us not less than 90 nor more than 120 days prior to the anniversary of the previous year’s annual meeting of stockholders. In addition, any notice must contain information concerning the person to be nominated or the matters to be brought before the meeting and concerning the stockholder submitting the proposal. The certificate of incorporation and the by-laws provide that, so long as Great Lakes owns shares representing 10% or more of the votes entitled to be cast by the voting stock, Great Lakes is exempt from the foregoing advance notice procedures for director nominations and shareholder proposals.

### *Special Meetings*

Unless otherwise required by our certificate of incorporation, the by-laws provide that special meetings of stockholders may be called only by specified officers of ours or by any officer at the request of the board of directors or a committee of our board. Special meetings cannot be called by stockholders. The certificate of incorporation and the by-laws expressly deny stockholders the right to call special meetings after the Second Trigger Date. In addition, the certificate of incorporation and the by-laws provide that, prior to the Second Trigger Date, any action required or permitted to be taken by stockholders may be effected by written consent. After the Second Trigger Date, however, any such action may be effected only at a duly called annual or special meeting of stockholders and may not be effected by a written consent. No business other than that stated in the notice of that meeting may be transacted at any special meeting.

### *Fair Price Provision*

The certificate of incorporation includes a “fair price” provision which prohibits specified business combinations, as we define below, with a related person, as we define below, unless:

(a) the holders of both classes of common stock receive in the business combination the same consideration as the other class and either:

(1) the same consideration in form and amount per share as the highest consideration paid by the related person in a tender or exchange offer in which the related person acquired at least 50% of either the outstanding stock of either the Class A common stock or the outstanding Class B common stock and which was consummated not more than one year prior to the business combination or the entering into of a definitive agreement for the business combination, or

(2) not less in amount, as to cash, or fair market value, as to non-cash consideration, than the highest price paid or agreed to be paid by the related person for shares of Class A common stock, Class B common stock or voting stock in any transaction that either resulted in:

(x) the related person’s beneficially owning 15% or more of the Class A common stock, Class B voting stock or voting stock or

(y) was effected at a time when the related person beneficially owned 15% or more of the Class A common stock, the Class B common stock or voting stock,

in either case occurring not more than one year prior to the business combination, or

(b) the transaction is approved by

(1) a majority of continuing directors as we define below, or

(2) shares representing:

(x) not less than  $66\frac{2}{3}\%$  of the votes entitled to be cast by the voting stock,

(y) not less than 50.01% of the votes entitled to be cast by the voting stock not beneficially owned by the related person, and

(z) from and after the First Trigger Date, a majority of the votes entitled to be cast by the holders of each class of common stock, excluding all shares beneficially owned by any related person, voting separately as a class.

After the Second Trigger Date, however, the required approval percentages in clauses (b)(2) (x) and (y) increase to 80% and  $66\frac{2}{3}\%$ , respectively. These approvals are also required to amend the fair price provisions. The fair price provision will not be applicable at the time that all shares of Class B common stock have been converted into or exchanged for Class A common stock.

Under the fair price provision, a “related person” is any person:

- other than Great Lakes and its affiliates and associates, that beneficially owns 15% or more of the outstanding Class A common stock or Class B common stock or the Class A common stock and Class B common stock taken together or
- is an affiliate of ours and at any time within the preceding two-year period was the beneficial owner of 15% or more of the outstanding Class A common stock or Class B common stock.

The relevant “business combinations” involving OSCA covered by the fair price provision are:

- (1) any merger or consolidation of OSCA or any subsidiary of ours with or into a related person or an affiliate of a related person,
- (2) any sale, lease, exchange, transfer or other disposition of all or substantially all of our assets to a related person or an affiliate of a related person,
- (3) specified reclassifications, recapitalizations and other corporate actions requiring a stockholder vote that have the effect of increasing by more than one % the proportionate share of Class A common stock or Class B common stock beneficially owned by the related person or an affiliate of a related person and
- (4) a dissolution of OSCA caused or proposed by a related person or an affiliate of a related person.

A “continuing director” is a director who is unaffiliated with the related person and who was a director before the related person became a related person, and any successor of a continuing director who is unaffiliated with a related person and is recommended or nominated to succeed a continuing director by a majority of the continuing directors.

#### *Amendment*

Stockholder amendments to a number of provisions contained in our certificate of incorporation and by-laws require the approval by shares representing not less than 66⅔% of the votes entitled to be cast by the voting stock, voting together as a single class. These provisions include, among other things:

- provisions with respect to stockholder action by written consent;
- stockholder rights to call special meetings;
- advance notice procedures, including Great Lakes’ exemption from those procedures; and
- board classification and removal of directors.

After the Second Trigger Date, however, approval of 80% of the votes entitled to be cast by the voting stock, voting together as a single class, is required to amend any of the foregoing provisions. In addition, after the First Trigger Date, if there are any shares of Class B common stock outstanding, approval by a majority of the votes entitled to be cast by the holders of each class of common stock, voting separately by class, is also required. The by-laws may also be amended by action of the board of directors.

#### **Contractual Relations among OSCA, Great Lakes And Related Entities**

The certificate of incorporation provides that, if specified disclosure conditions are satisfied and if fair as to us as of the time it is authorized, approved or ratified by our board of directors, by a committee thereof or by the stockholders, no contract, agreement, arrangement or transaction between:

- (a) us and Great Lakes,
- (b) us and one or more of the directors or officers of Great Lakes or a related entity, as we define below,  
or
- (c) us and any related entity

will be void or voidable solely because Great Lakes, any related entity or any one or more of the officers or directors of the OSCA, Great Lakes or any related entity are parties to that contract, agreement, arrangement or transaction. In addition, no such contract, agreement, arrangement or transaction will be void or voidable solely because those directors or officers are present at, or participate in, the meeting of the board of directors or a committee of the board that authorizes the contract, agreement, arrangement or transaction. Furthermore, the contract, agreement, arrangement or transaction will not be void or voidable solely because votes of those directors or officers are counted for that purpose. In the event of the foregoing, Great Lakes, any related entity and those directors and officers:

- will have fully satisfied and fulfilled their fiduciary duties to us and our stockholders with respect thereto,
- will not be liable to us or our stockholders for any breach of fiduciary duty by reason of the entering into, performance or consummation of any such contract, agreement, arrangement or transaction,
- will be deemed to have acted in good faith and in a manner such persons reasonably believe to be in and not opposed to the best interests of OSCA and
- will be deemed not to have breached their duties of loyalty to us and our stockholders and not to have derived an improper personal benefit therefrom.

A “related entity” is a corporation, partnership, association or other organization in which one or more of our directors has a financial interest.

#### **Delaware Business Combination Statute**

Section 203 of the Delaware General Corporation Law provides that, subject to exceptions specified therein, an “interested stockholder” of a Delaware corporation shall not engage in any “business combination,” including general mergers or consolidations or acquisitions of additional shares of the corporation, with the corporation for a three-year period following the time that such stockholder becomes an interested stockholder unless:

- prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder,
- upon consummation of the transaction which resulted in the stockholder becoming an “interested stockholder,” the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding specified shares, or
- on or subsequent to such time, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66⅔% of the outstanding voting stock not owned by the interested stockholder.

Under Section 203, the restrictions described above also do not apply to specified business combinations proposed by an interested stockholder following the announcement or notification of one of specified transactions involving the corporation and a person who:

- had not been an interested stockholder during the previous three years or
- became an interested stockholder with the approval of a majority of the corporation’s directors,

if such transaction is approved or not opposed by a majority of the directors who were directors prior to any person becoming an interested stockholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors.



Except as otherwise specified in Section 203, an “interested stockholder” is defined to include:

- any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination and
- the affiliates and associates of any such person.

Great Lakes and its affiliates, however, are excluded from the definition of “interested stockholder” under the terms of Section 203. Under some circumstances, Section 203 makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. We have not elected to be exempt from the restrictions imposed under Section 203.

### **Limitations on Directors’ Liability**

The certificate of incorporation provides that no director of OSCA shall be liable to OSCA or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

- for any breach of the director’s duty of loyalty to us or our stockholders,
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,
- in respect of unlawful dividend payments or stock redemptions or repurchases as provided in Section 174 of the Delaware General Corporation Law or
- for any transaction from which the director derived an improper personal benefit.

The effect of these provisions will be to eliminate our rights and those of our stockholders, through stockholders’ derivative suits on behalf of OSCA, to recover monetary damages against a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior, except in the situations described above. Our by-laws provide for indemnification of directors and officers to the maximum extent permitted by Delaware law. In addition, we expect to enter into indemnification agreements with each of our directors providing for indemnification of those directors to the fullest extent permitted by applicable law.

### **Listing**

We have applied to have our common stock included for quotation on the Nasdaq National Market under the symbol “OSCA.”

### **Transfer Agent and Registrar**

The transfer agent and registrar for the Class A common stock is Norwest Shareholder Services.

## **SHARES ELIGIBLE FOR FUTURE SALE**

### **General**

The 5,600,000 shares of our Class A common stock sold in the offering, or 6,440,000 shares if the underwriters exercise their over-allotment option in full, will be freely tradable without restriction under the Securities Act, except for any such shares which may be acquired by an “affiliate” as that term is defined in Rule 144 promulgated under the Securities Act, which shares will remain subject to the resale limitations of Rule 144.

The shares of our common stock that will continue to be held by Great Lakes after the offering constitute “restricted securities” within the meaning of Rule 144, and will be eligible for sale by Great Lakes in the open market after the offering, subject to customary contractual lockup provisions and the applicable requirements of Rule 144, both of which are described below. We have granted registration rights to Great Lakes. See “—Registration Rights of Great Lakes.”

Generally, Rule 144 provides that a person who has beneficially owned “restricted” shares for at least one year will be entitled to sell on the open market in brokers’ transactions within any three month period a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of common stock; and
- the average weekly trading volume in the common stock on the open market during the four calendar weeks preceding such sale.

Sales under Rule 144 are also subject to post-sale notice requirements and the availability of current public information about us.

In the event that any person other than Great Lakes who is deemed to be an affiliate purchases shares of our Class A common stock pursuant to the offering or acquires shares of our Class A common stock pursuant to one of our employee benefit plans, the shares held by such person are required under Rule 144 to be sold in brokers’ transactions, subject to the volume limitations described above. Shares properly sold in reliance upon Rule 144 to persons who are not affiliates are thereafter freely tradable without restriction.

Sales of substantial amounts of our common stock in the open market, or the availability of such shares for sale, could adversely affect the price of our common stock. Great Lakes may complete a divestiture of our common stock through a distribution to Great Lakes stockholders. See “Our Relationship With Great Lakes.” Any shares distributed by Great Lakes will be eligible for immediate resale in the public market without restrictions by persons other than our affiliates. Our affiliates would be subject to the restrictions of Rule 144 described above other than the one-year holding period requirement.

We, Great Lakes and our officers and directors have agreed that, without the prior written consent of Salomon Smith Barney Inc. on behalf of the underwriters, they will not, during the period ending 180 days after the date of this prospectus, sell or otherwise dispose of any shares of our common stock, subject to specified exceptions. See “Underwriting.”

An aggregate of 1,000,000 shares of our Class A common stock are reserved for issuance under our stock plans. We intend to file registration statements on Form S-8 covering the issuance of shares of our Class A common stock pursuant to the plans. Accordingly, the shares issued pursuant to the plans will be freely tradable, subject to the restrictions on resale by affiliates under Rule 144.

### **Registration Rights of Great Lakes**

Pursuant to the Registration Rights Agreement, Great Lakes may require us to register under the Securities Act all or any portion of our common stock that it holds. Any of Great Lakes’ shares of our common stock

registered pursuant to the Registration Rights Agreement would be eligible for immediate resale in the public market without restrictions by persons other than our affiliates. For more information regarding the Registration Rights Agreement, see “Our Relationship With Great Lakes—Arrangements With Great Lakes—Registration Rights Agreement.”

Any sales of substantial amounts of our common stock in the public market, whether as a result of a distribution to Great Lakes stockholders, Great Lakes’ registration rights or otherwise, or the perception that such sales might occur, could have a material adverse effect on the market price of our common stock. See “Risk Factors—The market price of our Class A common stock could be adversely affected by sales of substantial amounts of our common stock in the public market.”

## **MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS**

### **General**

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of common stock by a Non-U.S. Holder. For this purpose, the term “Non-U.S. Holder” is defined as any person or entity that is, for U.S. federal income tax purposes, a foreign corporation, a non-resident alien individual, a foreign partnership or a foreign estate or trust. This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing, temporary and proposed Treasury regulations, and administrative and judicial interpretations of the Code, all as in effect or proposed on the date of this prospectus and all of which are subject to change, possibly with retroactive effect, or different interpretations. This discussion is limited to Non-U.S. Holders who hold shares of common stock as capital assets within the meaning of Section 1221 of the Code. Moreover, this discussion is for general information only and does not address all of the tax consequences that may be relevant to particular Non-U.S. Holders in light of their personal circumstances, nor does it discuss tax provisions which may apply to individuals who relinquish their U.S. citizenship or residence.

An individual may, subject to specified exceptions, be deemed to be a resident alien, as opposed to a nonresident alien, by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Resident aliens are subject to U.S. federal income tax as if they were U.S. citizens.

**Each prospective purchaser of common stock is advised to consult a tax advisor with respect to specific tax consequences to that purchaser of purchasing, owning and disposing of our common stock in light of that purchaser’s individual circumstances, as well as any tax consequences that may arise under the laws of any U.S. state, municipality or other taxing jurisdiction.**

### **Dividends**

In the event that dividends are paid on shares of common stock, dividends paid to a Non-U.S. Holder of common stock will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. To claim the benefit of a lower rate under an income tax treaty, a Non-U.S. Holder of common stock must properly file with the payor an IRS Form 1001, or successor form, claiming an exemption from or reduction in withholding under such tax treaty.

Any dividends paid on shares of common stock to a Non-U.S. Holder will not be subject to withholding tax, but instead will be subject to U.S. federal income tax on a net basis at applicable graduated individual or corporate rates if:

- dividends are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States and, where a tax treaty applies, will be attributable to a United States permanent establishment of the Non-U.S. Holder; and
- an IRS Form 4224, or successor form, is filed with the payor.

Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional “branch profits tax” at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

Unless the payer has knowledge to the contrary, dividends paid prior to January 1, 2001 to an address outside the United States are presumed to be paid to a resident of such country for purposes of the withholding discussed above and for purposes of determining the applicability of a tax treaty rate. However, recently

finalized Treasury Regulations pertaining to U.S. federal withholding tax provide that a Non-U.S. Holder must comply with certification procedures, or, in the case of payments made outside the United States with respect to an offshore account, documentary evidence procedures, directly or under specified circumstances through an intermediary, to obtain the benefits of a reduced rate under an income tax treaty with respect to dividends paid after December 31, 2000. In addition, the final withholding tax regulations will require a Non-U.S. Holder who provides an IRS Form 4224 or successor form, as discussed above, also to provide its U.S. taxpayer identification number.

A Non-U.S. Holder of common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

### **Gain on Disposition of Common Stock**

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of common stock unless:

- (1) the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States and, where a tax treaty applies, is attributable to a United States permanent establishment of the Non-U.S. Holder;
- (2) in the case of a Non-U.S. Holder who is an individual and holds the common stock as a capital asset, such holder is present in United States for 183 or more days in the taxable year of the sale or other disposition and other conditions are met; or
- (3) OSCA is or has been a “U.S. real property holding corporation” (a “USRPHC”) for U.S. federal income tax purposes, as discussed below.

An individual Non-U.S. Holder who falls under clause (1) above will, unless an applicable treaty provides otherwise, be taxed on his or her net gain derived from the sale under regular graduated United States federal income tax rates. An individual Non-U.S. Holder who falls under clause (2) above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by some United States capital losses.

A Non-U.S. Holder that is a foreign corporation falling under clause (1) above will be taxed on its gain under regular graduated U.S. federal income tax rates and may be subject to an additional branch profits tax equal to 30% of its effectively connected earnings and profits within the meaning of the Code for the taxable year, as adjusted for specified items, unless it qualifies for a lower rate under an applicable income tax treaty.

A corporation is a USRPHC if the fair market value of the U.S. real property interests held by the corporation is 50% or more of the aggregate fair market value of its U.S. and foreign real property interests and any other assets used or held for use by the corporation in a trade or business. Based on its current and anticipated assets, OSCA believes that it is not currently, and is likely not to become, a USRPHC. However, since the determination of USRPHC status is based upon the composition of the assets of OSCA from time to time, and because there are uncertainties in the application of relevant rules, there can be no assurance that OSCA will not become a USRPHC. If we were to become a USRPHC, then gain on the sale or other disposition of common stock by a Non-U.S. Holder generally would be subject to U.S. federal income tax unless both:

- the common stock was “regularly traded” on an established securities market within the meaning of applicable Treasury regulations; and
- the Non-U.S. Holder actually or constructively owned 5% or less of the common stock during the shorter of the five-year period preceding such disposition or the Non-U.S. Holder’s holding period.

Non-U.S. Holders should consult their tax advisors concerning any U.S. tax consequences that may arise if we were to become a USRPHC.

## **Federal Estate Tax**

Common stock owned or treated as owned by an individual Non-U.S. Holder at the time of death will be included in such holder's gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

## **Information Reporting and Backup Withholding Tax**

We must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty or other relevant agreements.

Backup withholding is imposed at the rate of 31% on specified payments to persons that fail to furnish identifying information to the payer. Backup withholding generally will not apply to dividends paid prior to January 1, 2001 to a Non-U.S. Holder at an address outside the United States, unless the payer has knowledge that the payee is a U.S. person. In the case of dividends paid after December 31, 2000, the final withholding tax regulations provide that a Non-U.S. Holder generally will be subject to withholding tax at a 31% rate unless specified certification procedures, or, in the case of payments made outside the United States with respect to an offshore account, documentary evidence procedures, are complied with, directly or under other circumstances through an intermediary. Backup withholding and information reporting generally will also apply to dividends paid on common stock at addresses inside the United States to Non-U.S. Holders that fail to provide identifying information in the manner required. The final withholding tax regulations provide presumptions under which a Non-U.S. Holder would be subject to backup withholding and information reporting unless certification from the holder of the Non-U.S. Holder's Non-U.S. status is provided.

Payment of the proceeds of a sale of common stock effected by or through a U.S. office of a broker is subject to both backup withholding and information reporting unless the beneficial owner provides the payer with its name and address and certifies under penalties of perjury that it is a Non-U.S. Holder, or otherwise establishes an exemption. In general, backup withholding and information reporting will not apply to a payment of the proceeds of a sale of common stock by or through a foreign office of a broker. If, however, such broker is, for U.S. federal income tax purposes, a U.S. person, a controlled foreign corporation, or a foreign person that derives 50% or more of its gross income for specified periods from the conduct of a trade or business in the United States, or, in addition, for periods after December 31, 2000, a foreign partnership that at any time during its tax year either is engaged in the conduct of a trade or business in the United States or has as partners one or more U.S. persons that, in the aggregate, hold more than 50% of the income or capital interest in the partnership, such payments will be subject to information reporting, but not backup withholding, unless such broker has documentary evidence in its records that the beneficial owner is a Non-U.S. Holder and other specified conditions are met or the beneficial owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against the Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished in a timely manner to the IRS.

## UNDERWRITING

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally agreed to purchase, and we have agreed to sell to each underwriter, the number of shares set forth opposite the name of that underwriter.

<u>Name</u>	<u>Number of Shares</u>
Salomon Smith Barney Inc. . . . .	
Morgan Stanley & Co. Incorporated. . . . .	
Simmons & Company International . . . . .	
Total . . . . .	<u>5,600,000</u>

The underwriting agreement provides that the obligations of the several underwriters to purchase the shares included in this offering are subject to approval of particular legal matters by the underwriters' counsel and to other conditions. The underwriters are obligated to purchase all the shares, other than those covered by their over-allotment option described below, if they purchase any of the shares.

The underwriters, for whom Salomon Smith Barney Inc., Morgan Stanley & Co. Incorporated, and Simmons & Company International are acting as representatives, propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to particular dealers at the public offering price less a concession not in excess of \$      per share. The underwriters may allow, and such dealers may reallow, a concession not in excess of \$      per share on sales to other dealers. If all the shares are not sold at the initial offering price, the underwriters may change the public offering price and other selling terms. The representatives have advised us that the underwriters do not intend to confirm any sales to any accounts over which they exercise discretionary authority.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 840,000 additional shares of our common stock at the public offering price less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent this option is exercised, each underwriter will be obligated, subject to some conditions, to purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

We, our officers and directors and Great Lakes have agreed that, for a period of 180 days from the date of this prospectus, we will not, without the prior written consent of Salomon Smith Barney Inc., dispose of or hedge any shares of our common stock or any securities convertible into, or exercisable or exchangeable for, our common stock. Salomon Smith Barney Inc., in its sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice.

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for the shares was determined by negotiation among us and the representatives. Among the factors considered in determining the initial public offering price were:

- our record of operations;
- our current financial condition;
- our future prospects;
- our markets;
- the economic conditions in and future prospects for the industry in which we compete;
- our management; and
- currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to us.

The prices at which the shares will sell in the public market after this offering may, however, be lower than the price at which they are sold by the underwriters. Additionally, an active trading market in our common stock may not develop and continue after this offering.

We have applied to have our Class A common stock included for quotation on the Nasdaq National Market under the symbol “OSCA.”

The following table shows the underwriting discounts and commissions that we will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase additional shares of Class A common stock.

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share . . . . .	\$	\$
Total . . . . .	\$	\$

At our request, the underwriters will reserve up to five percent of the Class A common stock to be sold, at the initial public offering price, to our directors, officers and employees, officers, the directors and employees of Great Lakes, and other persons having business relationships with us. This directed share program will be administered by Salomon Smith Barney Inc. The number of shares of common stock available for sale to the general public will be reduced to the extent that these individuals purchase reserved shares. Any reserved shares that are not purchased through this directed share program will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act of 1933, in connection with sales of the directed shares.

In connection with this offering, Salomon Smith Barney Inc., on behalf of the underwriters, may purchase and sell shares of Class A common stock in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of shares in excess of the number of shares to be purchased by the underwriters in this offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the shares in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of bids for or purchases of shares made to prevent or retard a decline in the market price of the shares while this offering is in progress.

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Salomon Smith Barney Inc., in covering syndicate short positions or making stabilizing purchases, repurchases shares originally sold by that syndicate member.

Any of these activities may cause the price of the shares to be higher than it would otherwise be in the open market in the absence of such transactions. Salomon Smith Barney Inc. may effect these transactions on the Nasdaq National Market or in the over-the-counter market, or otherwise, and may discontinue them at any time.

We estimate that our total expenses for this offering will be \$2,000,000.

From time to time, Salomon Smith Barney Inc. and Simmons & Company International and their affiliates have provided, and may continue to provide, investment banking services, investment trading services and general financing and banking services to Great Lakes, for which they receive customary fees. The representatives or their respective affiliates may in the future perform various similar investment banking and advisory services for us from time to time, for which we will pay them customary fees.



We have agreed to indemnify the underwriters against specified liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of any of those liabilities.

## **LEGAL MATTERS**

The validity of the Class A common stock offered hereby and other legal matters will be passed upon for us by Kirkland & Ellis (a partnership including professional corporations), Chicago, Illinois. Certain legal matters will be passed upon for the underwriters by Cravath, Swaine & Moore, New York, New York.

## **EXPERTS**

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedule at December 31, 1998 and 1999, and for each of the three years in the period ended December 31, 1999 and have examined the pro forma adjustments to the December 31, 1999 financial statements, as set forth in their reports. We have included our financial statements and schedule and pro forma financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

## **WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC, Washington, D.C. 20549, a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Some items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to the company and its common stock, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other documents filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. A copy of the registration statement, including the exhibits and schedules thereto, may be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's Regional Offices at 7 World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at <http://www.sec.gov>, from which interested persons can electronically access the registration statement, including the exhibits and any schedules thereto.

As a result of the offering, we will become subject to the full informational requirements of the Securities Exchange Act of 1934, as amended. We will fulfill our obligations with respect to such requirements by filing periodic reports and other information with the SEC. We intend to furnish our shareholders with annual reports containing consolidated financial statements certified by an independent public accounting firm.

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors and Stockholder  
OSCA, Inc.

We have audited the accompanying consolidated balance sheets of OSCA, Inc. and subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of operations, changes in stockholder's equity (deficit) and cash flows for each of the three years ended December 31, 1999. Our audits also included the financial statement schedule listed in the index at item 16(b). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OSCA, Inc. and subsidiaries at December 31, 1998 and 1999 and the consolidated results of their operations and their cash flows for each of the three years ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Indianapolis, Indiana  
February 11, 2000

**OSCA, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	<u>December 31,</u>	
	<u>1998</u>	<u>1999</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents . . . . .	\$ 5,568	\$ 3,898
Accounts and notes receivable, less allowances of \$919 in 1998 and \$798 in 1999 . . . .	30,682	20,800
Inventories . . . . .	24,523	19,321
Prepaid expenses and other current assets . . . . .	996	1,573
Deferred income taxes . . . . .	1,176	1,465
Income taxes receivable . . . . .	797	128
Total current assets . . . . .	<u>63,742</u>	<u>47,185</u>
Property and equipment, net . . . . .	46,054	46,928
Goodwill and other intangibles, net . . . . .	7,917	7,574
Deferred income taxes . . . . .	2,331	—
Total assets . . . . .	<u>\$120,044</u>	<u>\$101,687</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)</b>		
<b>Current liabilities:</b>		
Accounts payable . . . . .	\$ 11,482	\$ 6,496
Dividend note payable to Great Lakes . . . . .	—	65,000
Accrued liabilities . . . . .	7,528	5,051
Current portion of notes payable . . . . .	321	118
Total current liabilities . . . . .	<u>19,331</u>	<u>76,665</u>
Deferred income taxes . . . . .	—	957
Note payable—related party . . . . .	472	354
Due to Great Lakes . . . . .	52,517	43,641
Great Lakes Investment . . . . .	47,724	—
Stockholder's equity (deficit):		
Common stock, no par value, 1 million shares authorized, issued and outstanding at December 31, 1999 . . . . .	—	774
Retained earnings (deficit) . . . . .	—	(19,282)
Accumulated other comprehensive loss . . . . .	—	(1,422)
Total stockholder's equity (deficit) . . . . .	<u>—</u>	<u>(19,930)</u>
Total liabilities and stockholder's equity (deficit)/Great Lakes' investment . . .	<u>\$120,044</u>	<u>\$101,687</u>

See accompanying notes to consolidated financial statements.

**OSCA, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except for earnings per share data)

	Year ended December 31,		
	1997	1998	1999
Net revenue . . . . .	\$ 112,739	\$ 113,369	\$ 91,938
Operating expenses:			
Cost of sales . . . . .	78,026	88,800	74,635
Selling, administrative and research expenses . . . . .	16,515	19,271	18,153
Amortization of intangibles . . . . .	251	370	432
Special charges (credit) . . . . .	—	13,350	(2,550)
Total operating expenses . . . . .	94,792	121,791	90,670
Operating income (loss) . . . . .	17,947	(8,422)	1,268
Interest expense . . . . .	5	91	37
Interest income . . . . .	(196)	(228)	(151)
Foreign currency translation . . . . .	(30)	523	(586)
Other expense (income)—net . . . . .	14	15	(138)
Income (loss) before income taxes . . . . .	18,154	(8,823)	2,106
Income tax provision (benefit) . . . . .	6,727	(1,943)	1,284
Net income (loss) . . . . .	<u>\$ 11,427</u>	<u>\$ (6,880)</u>	<u>\$ 822</u>
Earnings per share:			
Basic and diluted . . . . .	<u>\$ 11.43</u>	<u>\$ (6.88)</u>	<u>\$ .82</u>
Weighted average shares outstanding—basic and diluted . . . . .	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

See accompanying notes to consolidated financial statements.

**OSCA, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY (DEFICIT)**  
**(in thousands)**

	<u>Great Lakes Investment</u>	<u>Common Stock</u>	<u>Retained Earnings (Deficit)</u>	<u>Accumulated Other Comprehensive Income (loss)</u>	<u>Comprehensive Income (loss)</u>
Balance at December 31, 1996 .....	\$ 43,519	\$—	\$ —	\$ —	
Net income .....	11,427	—	—	—	\$11,427
Foreign currency translation adjustment .....	(19)	—	—		(19)
					<u>\$11,408</u>
Balance at December 31, 1997 .....	54,927	—	—	—	
Net loss .....	(6,880)	—	—	—	\$ (6,880)
Foreign currency translation adjustment .....	(323)	—	—	—	(323)
					<u>\$ (7,203)</u>
Balance at December 31, 1998 .....	47,724	—	—	—	
Net income .....	—	—	822	—	\$ 822
Foreign currency translation adjustment .....	(1,324)	—	—	—	(1,324)
Dividends .....	—	—	(67,152)	—	
					<u>\$ (502)</u>
Capitalization of consolidated entity .....	<u>(46,400)</u>	<u>774</u>	<u>47,048</u>	<u>(1,422)</u>	
Balance at December 31, 1999 .....	<u>\$ —</u>	<u>\$774</u>	<u>\$(19,282)</u>	<u>\$(1,422)</u>	

See accompanying notes to consolidated financial statements.

**OSCA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Year ended December 31,		
	1997	1998	1999
<b>Cash flows from operating activities:</b>			
Net income (loss) . . . . .	\$ 11,427	\$ (6,880)	\$ 822
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of intangibles . . . . .	4,355	6,053	7,312
Deferred income taxes . . . . .	(160)	(4,312)	2,999
Special charges . . . . .	—	13,350	(2,550)
Loss (gain) on sale of fixed assets . . . . .	(4)	—	619
Changes in operating assets and liabilities:			
Accounts and notes receivable, net . . . . .	(4,139)	396	9,882
Inventories . . . . .	(6,809)	(2,739)	5,202
Prepaid expense and other current assets . . . . .	(781)	(369)	92
Accounts payable . . . . .	(86)	3,889	(4,986)
Intercompany changes . . . . .	11,928	20,062	(8,876)
Accrued and other liabilities . . . . .	1,672	(1,382)	(2,427)
Net cash provided by operating activities . . . . .	17,403	28,068	8,089
<b>Cash flows from investing activities:</b>			
Additions to property and equipment . . . . .	(18,913)	(24,140)	(5,873)
Purchase of other assets . . . . .	(14)	(3,658)	(89)
Proceeds from sale of fixed assets . . . . .	262	—	—
Net cash used in investing activities . . . . .	(18,665)	(27,798)	(5,962)
<b>Cash flows from financing activities:</b>			
Borrowings and (repayments) from notes payable, net . . . . .	—	793	(321)
Cash dividend to Great Lakes . . . . .	—	—	(2,152)
Net cash provided by (used in) financing activities . . . . .	—	793	(2,473)
Net increase (decrease) in cash and cash equivalents . . . . .	(1,262)	1,063	(346)
Cash and cash equivalents at beginning of year . . . . .	6,109	4,828	5,568
Effect of exchange rate changes on cash . . . . .	(19)	(323)	(1,324)
Cash and cash equivalents at end of year . . . . .	<u>\$ 4,828</u>	<u>\$ 5,568</u>	<u>\$ 3,898</u>
Supplemental schedule of non-cash financing activities:			
Issuance of dividend note payable to Great Lakes . . . . .			<u>\$65,000</u>

See accompanying notes to consolidated financial statements.

## OSCA, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands, except for per share data)

#### 1. Organization and Basis of Presentation

OSCA, Inc., including its consolidated subsidiaries, (“OSCA”), headquartered in Lafayette, Louisiana, is a wholly-owned subsidiary of Great Lakes Chemical Corporation (“Great Lakes”). OSCA provides specialized oil and gas well completion fluids, completion services and downhole completion tools to major oil companies and independent exploration and production companies, primarily in the Gulf of Mexico and in select international markets. OSCA has operations in the United States, United Kingdom, Norway, Italy and Latin America.

In September 1999, Great Lakes announced its intention to sell a portion of its ownership interest in OSCA as part of an initial public offering (IPO) scheduled to occur sometime in the first half of 2000. The transaction will be effected through a recapitalization of OSCA whereby two classes of common stock will be created (Class A and Class B). The Class A common stock will be offered to the public as part of the IPO and Great Lakes will retain 100% ownership of the Class B common stock. The actual number of shares of Class A and Class B common stock to be issued and outstanding will be determined at the time of the offering.

In order to accomplish the IPO and appropriately reflect the OSCA businesses to be included in the IPO, it was necessary for Great Lakes to transfer to OSCA certain foreign subsidiaries previously owned by Great Lakes. This transfer was completed in December 1999 and resulted in direct ownership of those subsidiaries by OSCA. Accordingly, financial information for 1999 is presented on a consolidated basis. Prior to the transfer of these foreign subsidiaries in December 1999, operations were conducted by OSCA, subsidiaries of OSCA and, in some cases, subsidiaries of Great Lakes. Therefore, the financial information for the periods prior to the transfer are presented on a combined basis.

The accompanying financial statements reflect the historical financial position, results of operations, changes in stockholder’s equity (deficit) and cash flows directly related to OSCA and its affiliates, adjusted to include only those parts of the OSCA business which are to remain part of OSCA after the IPO. These adjustments, which were made to the historical accounting records of OSCA, consist primarily of the “carve-out” or elimination of assets, liabilities and results of operations of two businesses owned by OSCA. These adjustments were made for all periods presented. These two businesses consisted of i) the former environmental remediation services business owned by OSCA through its wholly-owned subsidiary, OSCA de Mexico, and ii) OSCA’s 50% ownership interest in a joint venture formed to provide pipeline commissioning and infrastructure support services primarily in the Gulf of Mexico.

This “carve-out” is supported by the terms of a Separation Agreement entered into with Great Lakes. The Separation Agreement specifies that as of the closing date of the offering, Great Lakes will assume and will indemnify OSCA for all claims, charges, assessments and liabilities, known and unknown, directly or indirectly relating to these businesses. Additionally, Great Lakes will be entitled to all rights and beneficial interest in all tangible and intangible assets relating to these businesses. Therefore, the future results of operations and financial position of OSCA will not be impacted by these businesses.

These financial statements have been prepared from the historical accounting records of OSCA and Great Lakes, and include the historical operations of entities directly owned by OSCA and operations transferred to OSCA by Great Lakes in December 1999. Accordingly, Great Lakes’ investment in OSCA (“Great Lakes Investment”) is shown in lieu of stockholder’s equity in the financial statements prior to the transfer.

The statements of operations include all material costs of doing business including costs related to services provided by Great Lakes to OSCA. Charges for such services are based on a number of factors including actual



## **OSCA, INC.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

and allocated charges which management believes to be reasonable. These charges are not necessarily indicative of the costs and expenses that would have resulted if OSCA had been operated as a separate entity for the periods presented. OSCA management estimates the incremental recurring corporate administrative expenses that would have been incurred by OSCA on a stand alone basis to be approximately \$750 annually for all periods presented.

## **2. Summary of Significant Accounting Policies**

### **Basis of Consolidation**

The consolidated financial statements include all accounts of the Company as described above. All significant intercompany accounts and transactions are eliminated in consolidation. Significant accounts and transactions with Great Lakes are disclosed as related party transactions (Note 3).

### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### **Revenue Recognition**

Revenue from sales of products is recognized at the time title passes to the customer. Revenue from services is recognized as the services are provided to the customer.

OSCA provides sales allowances for sales credits issued to customers in the normal course of business. The allowances are recorded as reductions of sales and are included in net revenue in the accompanying consolidated statements of operations. The reductions included in net revenue were \$255, \$498 and \$214 for the years ended 1997, 1998 and 1999, respectively.

### **Concentration of Credit Risk**

The market and customers for OSCA's products and services are primarily major oil companies and independent exploration and production companies. OSCA performs ongoing credit evaluations of its customers and provides allowances for probable credit losses when necessary.

### **Cash Equivalents**

OSCA considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### **Inventories**

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method, calculated using weighted average cost.

### **Property and Equipment**

Property and equipment is stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for purposes of computing depreciation are: buildings, 20–39 years; equipment, 7–15 years; and office and computer equipment, 3–5 years. Maintenance and repair costs are charged to expense as incurred.

## **OSCA, INC.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

#### **Impairment of Long-Lived Assets and Intangible Assets**

When events or circumstances indicate that the carrying amount of long-lived assets to be held and used or intangible assets might not be recoverable, the expected future undiscounted cash flows from the assets is estimated and compared with the carrying amount of the assets. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the assets, an impairment loss is recorded. The impairment loss is measured by comparing the fair value of the assets with their carrying amounts. Fair value is determined based on discounted cash flow or appraised values, as appropriate. Long-lived assets that are held for disposal are reported at the lower of the assets' carrying amount or fair value less costs related to the assets' disposition.

#### **Earnings Per Share**

Basic and diluted earnings per share of OSCA have been calculated using the weighted average common shares issued in connection with OSCA's capitalization of the consolidated entity. These shares are assumed to be outstanding for all periods of OSCA presented.

#### **Foreign Currency Translation**

The results of operations for foreign subsidiaries, other than those located in highly inflationary countries, are translated into U.S. dollars using the average exchange rates during the year, while assets and liabilities are translated using end-of-period exchange rates. Resulting translation adjustments are recorded as currency translation adjustments in stockholder's equity/Great Lakes investment. For subsidiaries in highly inflationary countries, currency gains and losses resulting from translation and transactions are determined using a combination of current and historical rates and are reported in the consolidated statement of operations.

#### **Research and Development**

Research and development costs are expensed as incurred. OSCA's expenditures for product development and engineering were approximately \$428, \$452 and \$548 in 1997, 1998 and 1999, respectively.

#### **Income Taxes**

OSCA and its affiliates are included in the consolidated income tax returns of Great Lakes. The consolidated tax provision is presented as if OSCA filed separate tax returns.

OSCA uses the liability method in measuring the provision for income taxes and recognizing deferred tax assets and liabilities in the balance sheet. The liability method requires that deferred income taxes reflect the tax consequences of currently enacted rates for differences between the tax and financial reporting bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

All unremitted earnings of foreign subsidiaries and affiliates are considered to be permanently invested.

#### **Fair Value of Financial Instruments**

The carrying value of OSCA's financial instruments, which include primarily cash and cash equivalents, accounts receivable and long-term debt, approximate fair value.

#### **New Accounting Standards**

Effective January 1, 1999, OSCA adopted the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for

## OSCA, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Internal Use.” This accounting standard specifically defines the criteria under which costs incurred in connection with internal-use computer software projects are to be treated as a current period expense or to be capitalized. Adoption of SOP 98-1 increased 1999 operating costs by approximately \$70,000.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, “Accounting for Derivative Instruments and Hedging Activities.” This Statement, as amended by SFAS No. 137, will be effective for OSCA beginning with the first quarter of 2001. The Statement requires companies to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge ineffectiveness, the amount by which the change in the value of a hedge does not exactly offset the change in the value of the hedged item, will be immediately recognized in earnings. OSCA is evaluating the new statement’s provisions and has not yet determined the impact of adoption on the results of operations or financial position.

### 3. Related Party Transactions and Corporate Allocations

OSCA purchases brominated products from Great Lakes, which constitute a significant portion of the fluid products sold by OSCA. Such purchases are charged to OSCA through an intercompany account, and are reflected in cost of sales. In addition, Great Lakes provides certain support services to OSCA including legal, tax, treasury, employee benefits administration, audit and corporate development services. These support services are also charged to OSCA through an intercompany account. Certain of these charges are based on specific identification of Great Lakes administrative costs attributable to OSCA.

The following table summarizes the purchases, direct corporate charges and cost allocations included in the accompanying statements of operations:

<u>Statement of Operations Caption</u>	<u>Year Ended December 31,</u>		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
Cost of sales . . . . .	\$25,587	\$15,011	\$9,178
Selling, administrative and research . . . . .	\$ 4,803	\$ 5,831	\$5,711

Explanations of the composition and the method of allocation for the above captions are as follows:

#### *Cost of sales*

This caption represents the purchased cost of the brominated products from Great Lakes. These costs are directly charged based upon a transfer price.

#### *Selling, administrative and research expenses*

Costs within this caption primarily include intercompany charges for costs related to legal, employer portion of 401(k) savings plan, liability insurance premiums, restricted stock, employee participation in employee benefit plans covering medical, dental, life, and long term disability insurance and certain other miscellaneous selling, administrative and research costs. Certain of these costs were direct charges, while other costs were allocated. To the extent specific identification of costs charged directly to OSCA is not practicable, costs are allocated by Great Lakes to OSCA using allocation percentages. These percentages are determined by Great Lakes at the beginning of each year based upon the estimated usage for each of Great Lakes subsidiaries. These percentages are then multiplied by the total Great Lakes consolidated

## OSCA, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

budgeted amounts for the particular support service. These amounts are charged to OSCA on a monthly basis. At year end the consolidated budgeted amounts are adjusted to actual. The allocation percentages are not adjusted. In addition, a Great Lakes corporate overhead allocation is charged to OSCA, based upon 0.5% of the monthly budgeted sales amounts. The allocated costs and corporate overhead allocations charged to OSCA were \$1,122, \$1,323 and \$1,637 for the years ended December 31, 1997, 1998 and 1999, respectively.

The amounts allocated by Great Lakes are not necessarily indicative of the actual costs which may have been incurred had OSCA operated as an entity unaffiliated with Great Lakes. However, OSCA believes that the allocations are reasonable and in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 55.

OSCA's operations and cash flow requirements have been financed through its operating cash flows and advances from Great Lakes. In addition, OSCA utilized the central cash management systems of Great Lakes. Cash requirements during these periods were satisfied by cash transactions and transfers accounted for through an intercompany account.

A progression of the intercompany account with Great Lakes is as follows:

	December 31,		
	1997	1998	1999
	(in thousands)		
Balance at beginning of year . . . . .	\$ 57,445	\$32,455	\$ 52,517
Inventory purchases . . . . .	29,666	17,311	10,841
Selling, administrative and research expenses . . . . .	4,803	5,831	5,711
Net cash (received) paid by Great Lakes on behalf of			
OSCA . . . . .	(66,381)	(5,434)	17,747
Transfer of carve-out affiliates . . . . .	—	—	(42,179)
Other . . . . .	6,922	2,354	(996)
Balance at end of the year . . . . .	<u>\$ 32,455</u>	<u>\$52,517</u>	<u>\$ 43,641</u>

#### 4. Special Charges

In the first quarter of 1998, the Board of Directors of OSCA's parent company, Great Lakes, appointed a new chief executive officer at Great Lakes and over the following months, a new senior management team was assembled. Beginning in the third quarter of 1998, Great Lakes began work on a plan to fundamentally alter how Great Lakes conducts business around the world and to improve the operating income of its businesses, including the OSCA business, by repositioning the business to enhance competitiveness and productivity and increase responsiveness to customer needs.

The repositioning plan for OSCA was necessitated by a decline in the world oil market which significantly reduced the near term requirements for OSCA's oil and gas well products and services. The repositioning plan provided for the remaining lease payments on one of OSCA's deepwater service vessels that was returned to the lessor, the decommissioning of the related service equipment, the sale or abandonment of a production facility and the reduction of its workforce by approximately 100 employees.

Accordingly, in 1998, OSCA recognized a special charge of \$13,350 or \$8,280 after income taxes. Special charges are reflected in the consolidated statement of operations as a separate component of operating income. Of the \$13,350, \$10,800 was recorded for actions taken in the third quarter of 1998 and another \$2,550 was recorded in the fourth quarter of 1998.

# OSCA, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Details of the 1998 special charge and a reconciliation to the reserve balance at December 31, 1999 follows (in thousands):

Description	Amount of Charge in 1998	1998 Activity	Reserve Balance at December 31, 1998	1999 Activity	1999 Reversals	Reserve Balance at December 31, 1999
Asset Impairment (non cash):						
Completion Services . . . . .	\$ 4,800	\$(4,800)	\$ —	\$ —	\$ —	\$ —
Completion Fluids . . . . .	3,120	(3,120)	—	2,500	(2,500)	—
	<u>7,920</u>	<u>(7,920)</u>	<u>—</u>	<u>2,500</u>	<u>(2,500)</u>	<u>—</u>
Severance Costs:						
Completion Fluids . . . . .	50	—	50	—	(50)	—
Corporate and Other . . . . .	200	(200)	—	—	—	—
	<u>250</u>	<u>(200)</u>	<u>50</u>	<u>—</u>	<u>(50)</u>	<u>—</u>
Lease Costs (Completion Services): . . . . .	4,400	(791)	3,609	(1,826)	—	1,783
Other (Completion Fluids): . . . . .	780	(590)	190	(121)	—	69
	<u>\$13,350</u>	<u>\$(9,501)</u>	<u>\$3,849</u>	<u>\$ 553</u>	<u>\$(2,550)</u>	<u>\$1,852</u>

The 1998 asset impairment losses include charges for the removal and abandonment of service equipment on one of OSCA's leased deepwater oil well service vessels. The annual amount of depreciation expense which would have been incurred had this service equipment not been impaired was approximately \$980. In addition, included in this caption is the write down of the carrying value of OSCA's calcium chloride production facility, an asset held for sale, to fair value. The amount of depreciation suspended on the calcium chloride production facility in 1999 was approximately \$230.

The 1998 severance costs include the cost of separation payments to certain employees who were terminated. Certain of these costs were individually negotiated with the employee, while others were determined based upon the provisions of statutory or contractual severance plans. The repositioning plan provided for the elimination of approximately 100 positions which included 66 marine well service and support employees, 20 manufacturing employees and 14 administrative and technical employees. Payments related to these costs are substantially complete.

The lease component of the repositioning plan represents remaining lease payments, net of sublease income, on one of OSCA's deepwater oil well service vessels. Payments under the lease agreement extend through 2001.

The other 1998 special charges relate to various costs and expenses incurred for the repositioning of OSCA's Latin American operations, including downsizing the Venezuela operations and exiting the Bolivian marketplace. Spending associated with these charges is also substantially complete.

In the fourth quarter of 1999, due to changing market conditions and a recognition of the need to ensure a reliable source of supply of calcium chloride, Great Lakes and OSCA made the decision to continue utilizing its calcium chloride production facility for the foreseeable future. This decision resulted in a change to the 1998 repositioning plan such that the calcium chloride production facility would not be sold or abandoned. The carrying amount of this asset to be disposed of was therefore adjusted upward by \$2,500, which was the carrying amount of the facility just prior to the approval of the original 1998 repositioning plan. In addition, \$50 of severance costs related to the employees of this facility and included in the 1998 special charge have also been reversed. The total impact of these changes resulted in a credit to special charges in the amount of \$2,550. This credit has been reflected in the 1999 statement of operations as a component of operating income.

# OSCA, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### 5. Inventories

The major components of OSCA's inventories are as follows:

	December 31,	
	1998	1999
	(in thousands)	
Raw materials . . . . .	\$ 128	\$ 195
Finished products . . . . .	24,395	19,126
	<u>\$24,523</u>	<u>\$19,321</u>

### 6. Property and Equipment

Property and equipment consisted of the following:

	December 31,	
	1998	1999
	(in thousands)	
Land . . . . .	\$ 1,161	\$ 1,199
Buildings and improvements . . . . .	9,609	13,437
Machinery, equipment and computer hardware . . . . .	37,896	63,964
Construction in progress . . . . .	22,110	328
Total property and equipment . . . . .	70,776	78,928
Accumulated depreciation . . . . .	(24,722)	(32,000)
Net property and equipment . . . . .	<u>\$ 46,054</u>	<u>\$ 46,928</u>

Depreciation expense included in the consolidated statements of operations was \$4,104, \$5,683 and \$6,880 for the years ended December 31, 1997, 1998 and 1999, respectively. Maintenance and repairs charged to costs and expenses were \$1,771, \$2,478 and \$2,331 for the same periods, respectively.

### 7. Employee Benefit Plans

OSCA participates in a defined contribution 401(k) retirement plan sponsored by Great Lakes. The plan covers substantially all full time employees upon date of hire. Under the Plan, eligible employees may contribute a portion of their salary until retirement and OSCA matches a portion of the employee's contribution. Total expense under the Plan amounted to \$147, \$81, and \$315, in 1997, 1998, and 1999, respectively. The costs of this plan are charged to OSCA through the intercompany account with Great Lakes.

### 8. Intangible Assets

Intangible assets consisted of the following:

	December 31,	
	1998	1999
	(in thousands)	
Goodwill . . . . .	\$11,119	\$11,119
Non-compete and other identifiable intangibles . . . . .	1,128	1,217
Total intangibles . . . . .	12,247	12,336
Accumulated amortization . . . . .	(4,330)	(4,762)
Total intangibles, net . . . . .	<u>\$ 7,917</u>	<u>\$ 7,574</u>

Goodwill, which represents the excess of cost over fair value of net assets acquired, is amortized using the straight-line method over 40 years. The other intangible assets, consisting primarily of the cost of a non-compete agreement is being amortized using the straight-line method over the term of the non-compete agreement of 5 years.

**OSCA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**9. Lease Obligations**

OSCA leases all three of its deepwater service vessels, land at several of its operating facilities and various office facilities and equipment. Rent expense incurred under these operating lease agreements was approximately \$3,591, \$7,130 and \$7,807 for the years ended December 31, 1997, 1998 and 1999, respectively.

Future minimum lease obligations under noncancelable leases at December 31, 1999 are as follows:

	<u>Obligation</u> <u>(in thousands)</u>
2000 .....	\$ 9,380
2001 .....	6,201
2002 .....	3,695
2003 .....	2,616
2004 and thereafter .....	917
Total .....	<u>\$22,809</u>

**10. Income Taxes**

The following is a summary of domestic and foreign income before income taxes, the components of the provision (benefit) for income taxes, a reconciliation of the U.S. federal income tax rate to the effective income tax rate, and the components of deferred tax assets and liabilities.

The components of income (loss) before income taxes for the years ended December 31 are as follows:

	<u>December 31,</u>		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
	<u>(in thousands)</u>		
Domestic .....	\$16,243	\$(6,560)	\$ 3,531
Foreign .....	1,911	(2,263)	(1,425)
	<u>\$18,154</u>	<u>\$(8,823)</u>	<u>\$ 2,106</u>

The components of the income tax provision (benefit) for the years ended December 31 are as follows:

	<u>1997</u>	<u>1998</u>	<u>1999</u>
	<u>(in thousands)</u>		
Current:			
Federal .....	\$5,639	\$ 1,675	\$(1,284)
State .....	263	212	(157)
Foreign .....	736	238	180
	<u>6,638</u>	<u>2,125</u>	<u>(1,261)</u>
Deferred:			
Federal .....	82	(3,747)	2,344
State .....	7	(321)	201
	<u>89</u>	<u>(4,068)</u>	<u>2,545</u>
	<u>\$6,727</u>	<u>\$(1,943)</u>	<u>\$ 1,284</u>

**OSCA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

A reconciliation of the effective tax rate from statutory U.S. federal income tax rate for the years ended December 31 is as follows:

	<u>1997</u>	<u>1998</u>	<u>1999</u>
U.S federal income tax rate . . . . .	35.0%	(35.0)%	35.0%
State income taxes (net of federal benefit) . . . . .	0.9	(0.8)	1.0
Foreign taxes . . . . .	0.2	11.2	16.3
Goodwill amortization . . . . .	0.4	1.0	4.6
Other . . . . .	0.5	1.6	4.1
Effective income tax rate . . . . .	<u>37.0%</u>	<u>(22.0)%</u>	<u>61.0%</u>

Components of deferred tax assets and liabilities are as follows:

	<u>December 31,</u>	
	<u>1998</u>	<u>1999</u>
	<u>(in thousands)</u>	
Deferred tax assets:		
Allowance for doubtful accounts . . . . .	\$ 272	\$ 247
Inventory . . . . .	881	902
Special charges . . . . .	4,237	1,127
Payroll and related liabilities . . . . .	23	316
Goodwill and intangibles . . . . .	53	55
Foreign net operating loss carryforward . . . . .	396	800
Other deductible temporary differences . . . . .	215	83
Total deferred tax assets . . . . .	6,077	3,530
Valuation allowance for deferred tax assets . . . . .	(396)	(800)
Deferred tax assets after valuation allowance . . . . .	5,681	2,730
Deferred tax liabilities:		
Property and equipment . . . . .	(2,174)	(2,222)
Net deferred tax asset . . . . .	<u>\$ 3,507</u>	<u>\$ 508</u>

At December 31, 1999, a net operating loss (NOL) carryforward of approximately \$2,353 is available to be applied against future taxable income of OSCA's Venezuelan subsidiary. The NOL is available through 2002. The NOL carryforward relates to losses of this subsidiary and can only be used to offset taxable income of OSCA in Venezuela. For financial reporting purposes, a valuation allowance of \$800 has been recognized to offset the net deferred tax asset related to this NOL carryforward.

The 1999 current federal income tax benefit of \$(1,284) is included in the consolidated balance sheets as a component of amounts Due to Great Lakes.

**11. Debt Arrangements**

Long-term debt consists of the following:

	<u>December 31,</u>	
	<u>1998</u>	<u>1999</u>
	<u>(in thousands)</u>	
Note payable to related party . . . . .	\$590	\$472
Notes payable to bank . . . . .	203	—
	793	472
Less current maturities . . . . .	321	118
	<u>\$472</u>	<u>\$354</u>



## OSCA, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The note payable to a related party was issued as a result of a business acquisition in March 1998. The note payable is a non-interest bearing note and is payable in five equal installments of \$118 beginning on the first anniversary date. The individual to whom the note is payable is the former owner of the acquired business and who is currently employed by OSCA.

Notes payable to bank consists primarily of notes assumed by OSCA as part of the business acquisition noted above. The notes bore interest at 10.53% and 10.85% per annum and were paid in full in October 1999.

Future maturities of long-term debt for the succeeding five years are as follows: 2000, \$118; 2001, \$118; 2002, \$118; 2003, \$118; and 2004, \$0.

On December 30, 1999, the Board of Directors of OSCA declared a dividend of \$65,000 which was made in the form of a non-interest bearing demand note payable to Great Lakes.

Interest paid was approximately \$5, \$91 and \$37 in 1997, 1998 and 1999, respectively.

#### 12. Contingencies

OSCA may be subject to various legal proceedings and claims arising from a variety of matters including, governmental regulations, environmental matters, commercial matters, product liability, personal injury, workers' compensation claims and other matters arising out of the ordinary course of its business. In general, while the effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists, in the opinion of management, the resolution of these legal proceedings and claims will not have a material adverse effect on the consolidated operating results or consolidated financial position of OSCA.

#### 13. Risk Management Activities

OSCA provides specialized oil and gas well completion fluids, completion services and downhole completion tools to major oil companies and independent exploration and production companies primarily in the Gulf of Mexico and in select international markets. OSCA has operations in the United Kingdom, Norway, Italy and Latin America and is exposed to fluctuations in oil and gas prices, foreign currency rates and interest rates which can affect the revenue, cost of operating, investing and financing. OSCA's management has not used financial and commodity-based derivative contracts to reduce the risk in overall earnings and cash flow.

##### *Commodity Price Risk*

The level of oil and gas exploration and development activity is affected by both short-term and long-term trends in oil and gas prices which, in turn, are related to the demand for petroleum products and the current availability of oil and gas resources. Any reduced activity could result in declines in the demand for the products and services provided by OSCA.

##### *Foreign Currency Risk*

OSCA has foreign currency exchange rate risk resulting from operations in Europe and Latin America. Historically, OSCA has not hedged its exposure to currency rate changes or foreign currency rate risk.

##### *Interest Rate Risk*

Historically, OSCA has had no significant interest rate risk to manage.

## OSCA, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 14. Segment Information

OSCA is organized into three global business segments: Completion Fluids, Downhole Completion Tools and Completion Services. The units are organized to offer a distinct group of products, technology and services.

The completion fluids segment sells and recycles clear completion fluids and performs related fluid maintenance services, such as filtration and reclamation. OSCA also provides a broad line of specially formulated and customized completion fluids. Completion fluids are used to control well pressure, clean the well subsequent to drilling activities and facilitate other completion activities, while minimizing reservoir damage.

The downhole completion tools segment designs, builds and installs downhole completion tools for wells that are primarily used to control the migration of reservoir sand into the well. The downhole completion tools help to prevent the deterioration of the reservoir.

The completion services segment provides sand control pressure pumping, marine well services and coiled tubing services to perform gravel packing, frac packing and well stimulation. The purpose of sand control pressure pumping is to force fluids, and gravel pack sand into the well to act as a downhole filter to inhibit the flow of sand into the well. Coiled tubing is utilized to convey chemicals that stimulate the well or deliver downhole equipment during well completion, or during the production phase in order to stimulate well production rates. Working in conjunction with the downhole completion tools and completion fluids segments, completion services are provided either by portable equipment placed directly on a well rig or platform or delivered via a fleet of advanced marine vessels.

Assets included in Corporate and Other principally are cash and cash equivalents; accounts receivable; deferred income taxes; goodwill and other intangibles; other assets; and certain unallocated plant and equipment. Segment assets primarily include inventory and property and equipment (at cost). Geographic sales information is reported based on the location which invoices the external customer. Geographic long-lived assets are grouped by the location of the reporting country. Intersegment sales are insignificant and are eliminated in consolidation.

**OSCA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

OSCA evaluates performance and allocates resources based on operating profit which represent net revenue less cost of sales, allocated selling, administrative and research expenses and special charges. Intersegment net revenue and transfers are recorded at OSCA's cost; there is no intercompany profit or loss on intersegment net revenue or transfers. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting.

	Year Ended December 31,		
	1997	1998	1999
	(in thousands)		
<b>Net Revenue by Segment to External Customers:</b>			
Completion Fluids . . . . .	\$ 81,988	\$ 67,420	\$50,621
Completion Services . . . . .	17,615	33,278	25,666
Downhole Completion Tools . . . . .	12,876	12,625	15,651
Total Net Revenue of Reportable Segments . . . .	112,479	113,323	91,938
Corporate and Other . . . . .	260	46	—
	<u>112,739</u>	<u>113,369</u>	<u>91,938</u>
<b>Segment Operating Income (Loss):</b>			
Completion Fluids . . . . .	14,120	1,001	5,046
Completion Services . . . . .	2,455	(2,851)	(696)
Downhole Completion Tools . . . . .	2,932	(3,192)	621
	<u>19,507</u>	<u>(5,042)</u>	<u>4,971</u>
Total Operating Loss of Reportable Segments			
Corporate and Other . . . . .	(1,560)	(3,380)	(3,703)
	<u>17,947</u>	<u>(8,422)</u>	<u>1,268</u>
<b>Segment Assets:</b>			
Completion Fluids . . . . .	26,756	27,506	22,546
Completion Services . . . . .	16,294	22,789	21,893
Downhole Completion Tools . . . . .	5,327	9,362	11,263
Corporate and Other . . . . .	7,466	10,920	10,547
	<u>55,843</u>	<u>70,577</u>	<u>66,249</u>
Unallocated Assets . . . . .	44,336	49,467	35,438
Total Consolidated Assets . . . . .	<u>100,179</u>	<u>120,044</u>	<u>101,687</u>
<b>Fixed Asset Additions:</b>			
Completion Fluids . . . . .	8,413	7,831	200
Completion Services . . . . .	9,484	12,223	3,256
Downhole Completion Tools . . . . .	179	2,368	661
Corporate and Other . . . . .	837	1,718	1,756
	<u>18,913</u>	<u>24,140</u>	<u>5,873</u>
<b>Depreciation Expense:</b>			
Completion Fluids . . . . .	1,850	1,798	1,821
Completion Services . . . . .	1,264	2,570	3,575
Downhole Completion Tools . . . . .	310	561	338
Corporate and Other . . . . .	680	754	1,146
	<u>4,104</u>	<u>5,683</u>	<u>6,880</u>
<b>Geographic Information</b>			
<b>Net Revenue by Segment to External Customers:</b>			
United States . . . . .	84,502	84,405	77,895
Foreign . . . . .	28,237	28,964	14,043
	<u>112,739</u>	<u>113,369</u>	<u>91,938</u>
<b>Long-lived Assets:</b>			
United States . . . . .	36,463	48,640	50,592
Foreign . . . . .	3,681	5,331	3,910
	<u>40,144</u>	<u>53,971</u>	<u>54,502</u>

**OSCA, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	<u>December 31, 1999</u>	<u>March 31, 2000</u> (Unaudited)
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents . . . . .	\$ 3,898	\$ 13,644
Accounts and notes receivable, less allowances of \$798 in 1999 and \$804 in 2000 . .	20,800	18,410
Inventories . . . . .	19,321	20,569
Prepaid expenses and other current assets . . . . .	1,573	2,561
Deferred income taxes . . . . .	1,465	1,659
Income taxes receivable . . . . .	128	197
Total current assets . . . . .	<u>47,185</u>	<u>57,040</u>
Property and equipment, net . . . . .	46,928	45,590
Goodwill and other intangibles, net . . . . .	7,574	7,570
Total assets . . . . .	<u>\$101,687</u>	<u>\$110,200</u>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)</u></b>		
<b>Current liabilities:</b>		
Accounts payable . . . . .	\$ 6,496	\$ 8,155
Dividend note payable to Great Lakes . . . . .	65,000	65,000
Accrued liabilities . . . . .	5,051	3,716
Current portion of notes payable . . . . .	118	118
Total current liabilities . . . . .	<u>76,665</u>	<u>76,989</u>
Deferred income taxes . . . . .	957	1,573
Note payable—related party . . . . .	354	354
Due to Great Lakes . . . . .	43,641	50,866
Stockholder's equity (deficit):		
Common stock, no par value, 1 million shares authorized, issued and outstanding . . . . .	774	774
Retained earnings (deficit) . . . . .	(19,282)	(18,593)
Accumulated other comprehensive (loss) . . . . .	(1,422)	(1,763)
Total stockholder's equity (deficit) . . . . .	<u>(19,930)</u>	<u>(19,582)</u>
Total liabilities and stockholder's equity (deficit) . . . . .	<u>\$101,687</u>	<u>\$110,200</u>

See accompanying notes to consolidated financial statements.

**OSCA, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except for earnings per share data)

	Three Months Ended March 31,	
	1999	2000
	(Unaudited)	
Net revenue . . . . .	\$ 23,023	\$ 26,501
Operating expenses:		
Cost of sales . . . . .	16,862	19,472
Selling, administrative and research expenses . . . . .	5,689	5,897
Amortization of intangibles . . . . .	99	99
Total operating expenses . . . . .	22,650	25,468
Operating income (loss) . . . . .	373	1,033
Interest expense . . . . .	4	7
Interest income . . . . .	(45)	(73)
Foreign currency translation . . . . .	23	70
Other expense (income)—net . . . . .	358	(201)
Income before income taxes . . . . .	33	1,230
Income tax provision . . . . .	20	541
Net income . . . . .	\$ 13	\$ 689
Earnings per share:		
Basic and diluted . . . . .	\$ 0.01	\$ 0.69
Weighted average shares outstanding—basic and diluted . . . . .	1,000,000	1,000,000

See accompanying notes to consolidated financial statements.

**OSCA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Three Months Ended March 31,	
	1999	2000
	(Unaudited)	
<b>Cash flows from operating activities:</b>		
Net income . . . . .	\$ 13	\$ 689
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles . . . . .	1,595	2,059
Deferred income taxes . . . . .	—	422
Gain on sale of fixed assets . . . . .	—	179
Changes in operating assets and liabilities:		
Accounts receivable, net . . . . .	1,499	2,390
Inventories . . . . .	1,462	(1,248)
Prepaid expenses and other current assets . . . . .	206	(1,057)
Accounts payable . . . . .	(2,251)	1,659
Intercompany changes . . . . .	598	7,225
Accrued and other liabilities . . . . .	(1,608)	(1,335)
Net cash provided by operating activities . . . . .	1,514	10,625
<b>Cash flows from investing activities:</b>		
Additions to property and equipment . . . . .	(3,547)	(863)
Purchase of other assets . . . . .	(77)	(94)
Proceeds from sale of fixed assets . . . . .	1,190	419
Net cash used in investing activities . . . . .	(2,434)	(538)
<b>Cash flows from financing activities:</b>		
Borrowings and (repayments) from notes payable, net . . . . .	(22)	—
Cash dividend to Great Lakes . . . . .	—	—
Net cash used in financing activities . . . . .	(22)	—
Net increase (decrease) in cash and cash equivalents . . . . .	(942)	10,087
Cash and cash equivalents at beginning of period . . . . .	5,568	3,898
Effect of exchange rate changes on cash . . . . .	(1,412)	(341)
Cash and cash equivalents at end of period . . . . .	<u>\$ 3,214</u>	<u>\$13,644</u>

See accompanying notes to consolidated financial statements.

**OSCA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands)**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited consolidated financial statements of OSCA, Inc. and its consolidated subsidiaries ("OSCA") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The consolidated financial statements for the quarters ended March 31, 2000 and 1999 reflect, in the opinion of management, all material adjustments (consisting of normal recurring adjustments) necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

For further information, refer to the consolidated financial statements and footnotes thereto, included in this Form S-1.

**2. Related Party Transactions and Corporate Allocations**

OSCA purchases bromine-based fluids from Great Lakes, which comprise a significant portion of the products sold by OSCA. Such purchases are charged to OSCA through an intercompany account, reflected in cost of sales, and are in accordance with a bromine supply agreement between the Company and Great Lakes. In addition, Great Lakes provides certain support services to the Company including legal, tax, treasury, employee benefits administration, audit and corporate development services. These support services are also charged to OSCA through an intercompany account. Certain of these charges are based on specific identification of Great Lakes administrative costs attributable to OSCA. To the extent such identification is not practicable, charges are allocated by Great Lakes to the Company based on various formulas which reasonably approximate the actual costs incurred.

The following table summarizes the purchases, direct corporate charges and cost allocations included in the accompanying statements of operations:

<u>Statement of Operations Caption</u>	<u>Three Months Ended March 31,</u>	
	<u>1999</u>	<u>2000</u>
Cost of sales . . . . .	\$2,515	\$2,690
Selling, administrative and research . . . . .	\$1,176	\$ 793

Explanations of the composition and the method of allocation for the above captions are as follows:

*Cost of Sales*

This caption represents the purchased cost of the bromine-based fluids from Great Lakes. These costs are directly charged based upon an established transfer price as provided in a bromine supply agreement between the Company and Great Lakes.

*Selling, Administrative and Research Expenses*

Costs within this caption primarily include intercompany charges for costs related to legal, 401(k) savings plan, liability insurance premiums, restricted stock for a Company executive, employee

# OSCA, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

participation in employee benefit plans covering medical, dental, life insurance, and long term disability and certain other miscellaneous general, administrative and research costs. Certain of these costs were direct charges, while other costs were allocated. To the extent specific identification of costs charged directly to OSCA is not practicable, costs are allocated by Great Lakes to OSCA using allocation percentages. These percentages are determined by Great Lakes at the beginning of each year based upon the estimated usage for each of Great Lakes subsidiaries. These percentages are then multiplied by the total Great Lakes consolidated budgeted amounts for the particular support service. These amounts are charged to OSCA on a monthly basis. At year end the consolidated budgeted amounts are adjusted to actual. The allocation percentages are not adjusted. In addition, a Great Lakes corporate overhead allocation is charged to OSCA, based upon 0.5% of the monthly budgeted sales amounts. The allocated costs and corporate overhead allocations charged to OSCA were \$484 and \$136 for the three months ended March 31, 1999 and 2000, respectively.

The amounts allocated by Great Lakes are not necessarily indicative of the actual costs which may have been incurred had the Company operated as an entity unaffiliated with Great Lakes. However, the Company believes that the allocations are reasonable and in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 55.

OSCA's operations and cash flow requirements have been financed through its operating cash flows and advances from Great Lakes. In addition, the Company utilized the central cash management systems of Great Lakes. Cash requirements during these periods were satisfied by cash transactions and transfers accounted for through an intercompany account.

A progression of the intercompany account with Great Lakes is as follows:

	March 31,	
	1999	2000
	(in thousands)	
Balance at beginning of period . . . . .	\$52,517	\$43,641
Inventory purchases . . . . .	3,355	2,270
Selling, administrative and research expenses . . . . .	1,176	793
Net cash (received) paid by Great Lakes on behalf of OSCA . . . . .	(96)	2,025
Other . . . . .	(3,838)	2,137
Balance at end of period . . . . .	<u>\$53,114</u>	<u>\$50,866</u>

### 3. Special Charges

During 1998, in connection with a Great Lakes repositioning plan, OSCA recognized a special charge of \$13,350 or \$8,280 after income taxes. Of the \$13,350, \$10,800 was recorded for actions taken in the third quarter of 1998 and another \$2,550 was recorded in the fourth quarter of 1998. In addition, in the fourth quarter of 1999, due to certain changes in the repositioning plan, OSCA recognized a credit to special charges in the amount of \$2,550.

A summary of spending against the reserve for special charges since December 31, 1999 is as follows (in thousands):

	December 31, 1999	Spending	March 31, 2000
Lease Costs (Completion Services) . . . . .	\$1,783	\$756	\$1,027
Other (Completion Fluids) . . . . .	69	—	69
	<u>\$1,852</u>	<u>\$756</u>	<u>\$1,096</u>



**OSCA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**4. Inventories**

The major components of OSCA's inventories are as follows:

	<b>March 31,</b>	
	<b>1999</b>	<b>2000</b>
	<b>(in thousands)</b>	
Raw materials . . . . .	\$ 198	\$ 83
Finished products . . . . .	22,863	20,486
	<u>\$23,061</u>	<u>\$20,569</u>

**5. Income Taxes**

A reconciliation of the U.S. Federal income tax rate to the effective income tax rate follows:

	<b>Three Months Ended March 31,</b>	
	<b>1999</b>	<b>2000</b>
U.S. federal income tax rate . . . . .	35.0%	35.0%
State income taxes (net of federal benefit) . . . . .	1.0	1.7
Foreign taxes . . . . .	16.3	4.0
Goodwill amortization . . . . .	4.6	2.0
Other . . . . .	<u>3.7</u>	<u>1.3</u>
	<u>60.6%</u>	<u>44.0%</u>

**6. Comprehensive Income**

Comprehensive income was as follows:

	<b>Three Months Ended March 31,</b>	
	<b>1999</b>	<b>2000</b>
	<b>(in thousands)</b>	
Net income . . . . .	\$ 13	\$ 689
Other comprehensive income (loss) . . . . .	<u>(1,412)</u>	<u>(341)</u>
Comprehensive income . . . . .	<u>\$(1,399)</u>	<u>\$ 348</u>

**OSCA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**7. Segment Information**

OSCA is organized into three global business segments: Completion Fluids, Completion Services and Downhole Completion Tools. The units are organized to offer a distinct group of products, technology and services.

OSCA evaluates performance and allocates resources based on operating income which represents net revenue less cost of sales, allocated selling, administrative and research expenses. Intersegment net revenue and transfers are recorded at OSCA's cost; there is no intercompany income or loss on intersegment net revenue or transfers.

	<b>Three Months Ended March 31,</b>	
	<b>1999</b>	<b>2000</b>
	<b>(in thousands)</b>	
Net revenue by segment to external customers:		
Completion fluids . . . . .	\$13,512	\$13,166
Completion services . . . . .	6,324	8,446
Downhole completion tools . . . . .	3,187	4,889
Total net revenue of reportable segments . . . . .	23,023	26,501
Corporate and other . . . . .	—	—
	<u>\$23,023</u>	<u>\$26,501</u>
Segment operating income (loss):		
Completion fluids . . . . .	\$ 1,414	\$ 426
Completion services . . . . .	(16)	1,091
Downhole completion tools . . . . .	(31)	196
Total operating income of reportable segments . . . . .	1,367	1,713
Corporate and other . . . . .	(994)	(680)
Operating income . . . . .	373	1,033
Interest expense . . . . .	4	7
Interest income . . . . .	(45)	(73)
Foreign currency translation . . . . .	23	70
Other expense (income)—net . . . . .	358	(201)
Income before income taxes . . . . .	<u>\$ 33</u>	<u>\$ 1,230</u>

## **INSIDE BACK COVER**

**Title:** OSCA's Facilities

**Background:** Aerial photograph of Lafayette headquarters

**Caption:** Aerial photograph of our headquarters, and assembly/distribution facility, in Lafayette, Louisiana.

**Inset:** Picture of C-Port 1 facility

**Caption:** Our fluid distribution plant at the C-Port 1 loading facility at Port Fourchon, Louisiana.

**Inset:** Picture of Houston Test Center

**Caption:** Our downhole tool research facility in Houston, Texas. This facility provides for critical interaction with customers in the engineering, manufacturing and testing of tools.

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5,600,000 Shares

**OSCA, Inc.**

Class A Common Stock



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**PROSPECTUS**

**, 2000**

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**Salomon Smith Barney**

**Morgan Stanley Dean Witter**

**Simmons & Company**  
International

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution.**

The following is a statement of estimated expenses, to be paid solely by OSCA, of the issuance and distribution of the securities being registered hereby:

Securities and Exchange Commission registration fee . . . . .	\$ 37,950
NASD filing fee . . . . .	10,000
Nasdaq National Market listing fee . . . . .	95,000
Blue Sky fees and expenses (including attorneys' fees and expenses) . . . .	10,000
Printing expenses . . . . .	100,000
Accounting fees and expenses . . . . .	1,300,000
Transfer agent's fees and expenses . . . . .	10,000
Legal fees and expenses . . . . .	350,000
Great Lakes' expenses . . . . .	50,000
Miscellaneous expenses . . . . .	37,050
Total . . . . .	<u>\$2,000,000</u>

**Item 14. Indemnification of Directors and Officers.**

*General Corporation Law*

We are incorporated under the laws of the State of Delaware. Section 145 ("Section 145") of the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (the "General Corporation Law"), *inter alia*, provides that a Delaware corporation may indemnify any persons who were, are or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal. A Delaware corporation may indemnify any persons who are, were or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reasons of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests, provided that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer, director, employee or agent is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director has actually and reasonably incurred.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him and incurred by him in any such capacity, arising out of his status as such, whether or not the corporation would otherwise have the power to indemnify him under Section 145.

### *Certificate of Incorporation and By-Laws*

Our Certificate of Incorporation and By-laws provide for the indemnification of officers and directors to the fullest extent permitted by the General Corporation Law.

#### **Item 15. Recent Sales of Unregistered Securities.**

None.

#### **Item 16. Exhibits and Financial Statement Schedules.**

##### **(a) Exhibits.**

Reference is made to the attached Exhibit Index.

##### **(b) Financial Statement Schedules.**

The following financial statement schedule is included in this Registration Statement.

#### **Schedule II Valuation and Qualifying Accounts**

**All other schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions, are inapplicable or not material, or the information called for thereby is otherwise included in the financial statements and therefore has been omitted.**

#### **Item 17. Undertakings.**

The undersigned registrant hereby undertakes to provide to the underwriters at closing specified in the underwriting agreement certificates in such denominations and registered in such manner as requested by the underwriters to permit prompt delivery to each purchaser.

The undersigned registrants hereby undertake:

(1) For purposes of determining any liability under the Securities Act of 1933 (the “Securities Act”), the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrants pursuant to the provisions described under Item 14 or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, OSCA, Inc. has duly caused this Amendment No. 3 to Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lafayette, State of Louisiana, on June 8, 2000.

OSCA, INC.

By: /s/ \*  
Robert L. Hollier  
*Chief Executive Officer and President*

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 3 to Registration Statement on Form S-1 have been signed by the following persons in the capacities and on the dates indicated:

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ *</u> Robert L. Hollier	Principal Executive Officer and Director	June 8, 2000
<u>/s/ *</u> Steven J. Brading	Principal Financial and Accounting Officer	June 8, 2000
<u>/s/ *</u> Mark P. Bulriss	Chairman of the Board of Directors	June 8, 2000
<u>/s/ *</u> Martin M. Hale	Director	June 8, 2000
<u>/s/ *</u> Mack G. Nichols	Director	June 8, 2000
<u>/s/ *</u> Richard A. Pattarozzi	Director	June 8, 2000
<u>/s/ *</u> W. Bernard Pieper	Director	June 8, 2000
<u>/s/ *</u> Mark E. Tomkins	Director	June 8, 2000
<u>/s/ *</u> John L. Whitmire	Director	June 8, 2000

\*By /s/ STEVEN J. BRADING  
Steven J. Brading  
*Attorney-in-Fact*

# SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

OSCA, INC.

December 31, 1999

(in thousands)

Description	Balance at Beginning of Period	Additions		Deductions —Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts— Describe		
Year Ended December 31, 1997:					
Deducted from assets accounts:					
Allowance for doubtful accounts . . . . .	\$514	\$ 52	\$—	\$150(1)	\$416
Sales returns allowance . . . . .	113	244	—	255(2)	102
Total . . . . .	<u>\$627</u>	<u>\$296</u>	<u>\$—</u>	<u>\$405</u>	<u>\$518</u>
Year Ended December 31, 1998:					
Deducted from asset accounts:					
Allowance for doubtful accounts . . . . .	\$416	\$304	—	\$— (1)	\$720
Sales returns allowance . . . . .	102	595	—	498(2)	199
Total . . . . .	<u>\$518</u>	<u>\$899</u>	<u>\$—</u>	<u>\$498</u>	<u>\$919</u>
Year Ended December 31, 1999:					
Deducted from asset accounts:					
Allowance for doubtful accounts . . . . .	\$720	\$274	—	\$345(1)	\$649
Sales returns allowance . . . . .	199	164	—	214(2)	149
Total . . . . .	<u>\$919</u>	<u>\$438</u>	<u>\$—</u>	<u>\$559</u>	<u>\$798</u>

(1) Uncollectible accounts written off, net of recoveries.

(2) Sales returns.



## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
**1.1	Form of Underwriting Agreement.
**3.1	Form of Restated Certificate of Incorporation of OSCA, Inc.
**3.2	Form of Amended and Restated By-Laws of OSCA, Inc.
**4.1	Form of certificate representing shares of Class A Common Stock.
**5.1	Opinion of Kirkland & Ellis.
**10.1	Form of Master Separation Agreement.
**10.2	Form of Services Agreement.
**10.3	Form of Tax Agreement.
**10.4	Form of IPO and Distribution Agreement.
**10.5	Form of Registration Rights Agreement.
*10.6	Brominated Products Supply Agreement.
**10.7	OSCA, Inc. 2000 Incentive Compensation Plan.
**10.8	OSCA, Inc. 2000 Stock Incentive Plan.
**10.9	Form of Change in Control Agreement—Robert L. Hollier.
**10.10	Form of Change in Control Agreement—Richard J. Alario.
**10.11	Form of Change in Control Agreement—Steven J. Brading.
**10.12	Form of Change in Control Agreement—James H. Tyner
**10.13	Property Lease—C-Port 1 Facility, Port Fourchon, Louisiana.
**10.14	Property Lease—Oil Tools Facility, Mansfield, Texas.
**21.1	Subsidiaries.
23.1	Consent of Ernst & Young LLP.
**23.2	Consent of Kirkland & Ellis (included in Exhibit 5.1).
**24.1	Powers of Attorney for Robert L. Hollier, Steven J. Brading, Mark P. Bulriss, Martin M. Hale, Mack G. Nichols and Mark E. Tomkins (included in Part II to the Registration Statement previously filed).
**24.2	Power of Attorney for Richard A. Pattarozzi
**24.3	Power of Attorney for W. Bernard Pieper
**24.4	Power of Attorney for John L. Whitmire
**27.1	Financial Data Schedule.

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\*Subject to a confidential treatment request pursuant to Rule 406. A complete copy of this exhibit has been filed separately with the Securities and Exchange Commission.

\*\*Previously filed.